

ANNEX 1:

Special Condition 1A. Definitions

Introduction

- 1A.1 This condition sets out most of the defined words and expressions (most of which begin with capital letters) that are used in the Special Conditions, and gives their definitions next to them.
- 1A.2 But:
- (a) Some words and expressions which are only used in a particular Special Condition are defined in that condition; and
 - (b) Some words and expressions used in the Special Conditions are defined in Standard Special Condition A3 (Definitions and Interpretation).
- 1A.3 Where a word or expression is defined both in this condition and in Standard Special Condition A3 (Definitions and Interpretation), the definition in this condition shall prevail.

Definitions in alphabetical order

- 1A.4 In the Special Conditions, unless the context otherwise requires:

Agency Costs	means costs incurred, or expected to be incurred by the Licensee for the purposes of meeting its obligations under Standard Special Condition A15 (Agency).
Aggregate Overrun	shall have the meaning given to the term “aggregate flat overrun” in the Network Code.
Allocation	means any process by which Entry Capacity or Exit Capacity may be allotted by or on behalf of the Licensee in accordance with the Network Code.
Allowable NIA Expenditure	has the meaning given to that term in Part B of Special Condition 2E (The Network Innovation Allowance).
Annual Application Window	has the meaning given to that term in the Network Code.
Annual Iteration Process	means, in relation to the GT1 Price Control Financial Model, the process set out in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model), which is to be read and given effect subject to any further explanation or elaboration within the GT1 Price Control Financial Handbook that may be applicable to it.

Annual Invitation Period	has the meaning given to that term in the Network Code.
Average Specified Rate	means the average value of the Bank of England's Official Bank Rate during the period in respect of which the calculation in question falls to be made.
Base NTS System Operation Revenue	is derived from the formula set out in Part D of Special Condition 3A (Restriction of NTS System Operation Revenue).
Base NTS Transportation Owner Revenue	is derived from the formula set out in Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Capacity Methodology Statements	means Entry Capacity and Exit Capacity methodology statements submitted to and approved by the Authority pursuant to Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Capex Rolling Incentive	means the mechanism giving rise to the baseline capital expenditure incentive revenue adjustment term, CxIncRA _t in Special Condition C8B (NTS transporter owner activity revenue restriction) of this licence in the form it was in on 31 March 2013.
Carbon Benefits	means a contribution to Government's current strategy for reducing greenhouse gas emissions, as set out in the document entitled the "Carbon Plan" published by the Department of Energy and Climate Change.
Clearing Allocation	means in respect of an NTS Entry Point and period, an Allocation of Entry Capacity which either: (a) results in all the Entry Capacity offered for sale being sold; or (b) has a reserve price of zero.
Constrained Storage Facility	has the meaning given to that term in the Network Code.
Contractual Delivery Date	means the date at which the Licensee is contractually obliged to provide capacity which is set out in Part D or E of Special Conditions 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) or Part D or E of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).
Customer	for the purposes of Special Condition 2C (Stakeholder Satisfaction Output) means any Stakeholder who pays the Licensee through network charges or fees.
Day	has the meaning given to that term in the Network Code.

Directly Attributable Costs has the meaning given to that term in paragraph 2F.14 of Special Condition 2F (The Network Innovation Competition).

Disallowed Expenditure has the meaning given to that term in paragraph 2F.12 of Special Condition 2F (The Network Innovation Competition).

Disapplication Request means a request to disapply the Relevant SO Special Conditions and/ Relevant TO Special Conditions (in whole or in part) for the purposes of and in accordance with Special Condition 11A (Disapplication of Relevant Special Conditions).

Distribution Network means the relevant gas Distribution Network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in the Network Code) as set out in the table below:

Distribution Network	Local Distribution Zone
Scotland	Scotland
North of England	Northern, North East
North West	North West
East of England	East Midlands, Eastern
West Midlands	West Midlands
Wales & West	Wales North, Wales South, South West
London	North Thames
South of England	South East, Southern

Distribution Network Transportation Activity means the activities of the Licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the Supply of Distribution Network Services.

Eligible NIA Expenditure means the amount of expenditure spent or accrued by the Licensee in respect of Eligible NIA Projects and Eligible NIC Bid Preparation Costs and forms part of Allowable NIA Expenditure as set out in Part B of Special Condition 2E (The Network Innovation Allowance).

Eligible NIA Internal Expenditure means the amount of Eligible NIA Expenditure spent or accrued on the internal resources of the Licensee.

Eligible NIA Projects means those projects undertaken by the Licensee that appear to the Authority to satisfy such requirements of the NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 2E (The Network Innovation Allowance).

Eligible NIC Bid Preparation Costs	means the amount of expenditure spent or accrued by the Licensee when preparing submissions for the Network Innovation Competition as defined in 2F (The Network Innovation Competition) that satisfy such requirements of the NIA Governance Document as are necessary to enable the projects to be funded under the provisions of that condition.
Eligible NIC Project	means a project undertaken by the Licensee or any other gas transporter Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Enhanced Physical Site Security Costs	means costs incurred, or expected to be incurred, by the Licensee for the purposes of implementing any formal recommendation or requirement of the Secretary of State to enhance the physical security of any of the sites used in connection with the pipeline system to which this licence relates.
Enhanced Security Costs	means costs incurred, or expected to be incurred, by the Licensee for the purposes of implementing any formal recommendation or requirement of the Secretary of State to enhance the security of any of the IT systems required to operate the pipeline system to which this licence relates.
Entry Capacity	at an NTS Entry Point is capacity in the NTS which a Relevant Shipper is treated as utilising in delivering gas to the NTS (and the total system) at that point.
Entry Capacity Substitution	means the process by which unsold Non-incremental Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Incremental Obligated Entry Capacity at another NTS Entry Point in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Entry Capacity Trade	means the process by which sold Firm Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point, in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Entry Capacity Transfer	means the process by which unsold Obligated Entry Capacity is moved from one or more NTS Entry Points to meet the demand for Firm Entry Capacity at another NTS Entry Point where all Obligated Entry Capacity has been sold, in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Entry Lead Time	means a period of 42 <u>the day which is 24</u> months from the first day of the <u>next</u> month following the <u>date on which the</u>

~~allocation occurred~~ ~~end of the Annual Invitation Period (as defined in the Network Code).~~

Examination	means an evaluation of the processes, procedures and outputs used by the Licensee to enable it to meet its obligation to apply a methodology in a manner that is consistent with its duties under the Act and its obligations under this licence.
Excluded Services	has the meaning provided in Special Condition 11C (Services treated as Excluded Services).
Exit Capacity	is capacity in the NTS which a Relevant Shipper or DN operator is treated as utilising in offtaking gas from the NTS at an NTS Exit Point.
Exit Capacity Revision	means the process by which the level of Licence Baseline Exit Capacity is modified in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Exit Capacity Substitution	means the process by which unsold Non-incremental Obligated Exit Capacity is moved from one or more NTS Exit Points to meet the demand for Incremental Obligated Exit Capacity at another NTS Exit Point in accordance with the obligations set out in Special Condition 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements).
Exit Lead Time	means the day which is 36-24 months from after the first day of the next month gas year following the date on which the allocation occurred.
Firm Entry Capacity	means Entry Capacity that provides users with a contractual right to flow onto the NTS and has the meaning given to that term in the Network Code.
Firm Exit Capacity	means Exit Capacity that provides users with a contractual right to flow from the NTS and has the meaning given to that term in the Network Code.
Formula Month	means a period commencing at 06:00 in the first day of a calendar month and ending at 06:00 on the first day of the subsequent calendar month.
Formula Year	means a period of twelve months commencing on 1 April at 06:00 hours, the first such formula year (t=1) commencing 1 April 2002 at 06:00 hours.
Formula Year t	for the purposes of the Special Conditions in Chapters 4, 5 and 6, means the Formula Year in which the values for the terms MOD and SOMOD, calculated through a particular Annual Iteration Process, are used in the formulae set out in Special Condition 2A (Restriction of NTS Transportation Owner Revenue) and Special Condition 3A (Restriction of NTS System Operation Revenue) respectively and references to Formula Year t-1 and Formula Year t-2 are to be construed

	accordingly.
Funded Incremental Obligated Entry Capacity	means Incremental Obligated Entry Capacity for which the obligation to offer such capacity for sale commenced on or after 1 April 2013, which has not been provided through Entry Capacity Substitution and for which the Licensee has not received an additional funding allowance through Legacy Incremental Entry Capacity, the Funded Incremental Obligated Entry Capacity will be added to Licence Baseline Entry Capacity five years after the contractual delivery date.
Funded Incremental Obligated Exit Capacity	means Incremental Obligated Exit Capacity for which the obligation to offer such capacity for sale commenced on or after 1 April 2013, which has not been provided through Exit Capacity Substitution and for which the Licensee has not received an additional funding allowance through Legacy Incremental Exit Capacity, the Funded Incremental Obligated Exit Capacity will be added to Licence Baseline Exit Capacity five years after the contractual delivery date.
Funding Return	has the meaning given to that term in paragraph 2F.10 of Special Condition 2F (The Network Innovation Competition).
Funding Return Mechanism	has the meaning given to that term in paragraph 2F.9 of Special Condition 2F (The Network Innovation Competition).
Gas Transmission Group	means any group of NTS Operators in which the Licensee and every other NTS Operator within the group are Affiliates.
Gas Year	means a period of twelve months commencing on 1 October at 06:00 hours.
Generic Revenue Driver Methodology	means an approach to calculating revenue drivers for NTS Entry Points and NTS Exit Points, which will be approved by the Authority, published by the Licensee on its website and will be modified in accordance with the obligations set out in Special Condition 9C (Methodology to determine revenue drivers).
Gigawatt Hour or GWh	means one million kilowatt hours.
GT1 Price Control Financial Handbook	means the document of that name that was published by the Authority that: includes specific information and advice about the operation of the Annual Iteration Process and the GT1 Price Control Financial Model; and contains, in particular, the GT1 Price Control Financial Methodologies, as modified from time to time.
GT1 Price Control Financial Instruments	means the GT1 Price Control Financial Handbook and the GT1 Price Control Financial Model.
GT1 Price Control Financial Methodologies	means the methodologies that: (a) are named as such in the GT1 Price Control Financial Handbook; and

	(b) together comprise a complete and documented explanation of the methods, principles, and assumptions that the Authority will apply for the purposes of determining the PCFM Variable Values that are to be used in the Annual Iteration Process; as modified from time to time, whether under this condition or otherwise.
GT1 Price Control Financial Model	means the model of that name (with a suffix referring to the month of November in Formula Year t-1 as that term is defined for the purpose of Special Condition 4A (Governance of GT1 Price Control Financial Instruments)) that was first published by the Authority on 1 February 2013 and came into effect on 1 April 2013: (a) that is represented by a workbook in Microsoft Excel ® format maintained under that name (with the suffix referred to above) on the Authority’s Website; and (b) that the Authority will use to determine the value of the terms MOD _t and SOMOD _t through the application of the Annual Iteration Process, as modified from time to time in accordance with the provisions of Special Condition 4A.
GT1 Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 1 of the GT1 Price Control Financial Handbook.
Halted Project Revenues	has the meaning given to that term in paragraph 2F.11 of Special Condition 2F (The Network Innovation Competition).
High Quality Outcomes	for the purposes of determinations made by the Authority pursuant to the provisions of Part B of Special Condition 2C (Stakeholder Satisfaction Outputs), “high quality outcomes” will be defined in the Stakeholder Engagement Reward Guidance in relation to the key areas of assessment set out in the Guidance for the Formula Year.
Incremental Entry Capacity	means Firm Entry Capacity other than Non-incremental Obligated Entry Capacity.
Incremental Entry Capacity Services	means the undertaking of engagements relating to the provision of Entry Capacity other than Non-incremental Obligated Entry Capacity.
Incremental Exit Capacity	means Firm Exit Capacity other than Non-incremental Obligated Exit Capacity.
Incremental Exit Capacity Services	means the undertaking of engagements relating to the provision of Exit Capacity other than Non-incremental Obligated Exit Capacity.
Incremental Obligated Entry Capacity	means the volume of Firm Entry Capacity which the Licensee is required to offer for sale at an NTS Entry Point following implementation of a proposal made by the Licensee in

	<p>accordance with Part A of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply) that is above the Non-incremental Obligated Entry Capacity which is derived in accordance with the obligations set out in Special Condition 9B (Methodology to determine the release of Entry Capacity and Exit Capacity Obligations volumes).</p>
Incremental Obligated Exit Capacity	<p>means the volume of Firm Exit Capacity which the Licensee is required to offer for sale at an NTS Exit Point following implementation of a proposal made by the Licensee in accordance with Part A of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply) that is above the Non-incremental Obligated Exit Capacity which is derived in accordance with the obligations set out in Special Condition 9B (Methodology to determine the release of Entry Capacity and Exit Capacity Obligations volumes).</p>
Independent Examiner	<p>means a person or persons nominated by and independent of the Licensee with the skill and knowledge to undertake an examination.</p>
Independent System	<p>has the meaning given to the term “independent system” in Standard Special Condition A3 (Definitions and interpretation), except that, for the purposes of Special Condition 11F (Gas conveyed to Independent Systems) only, means those independent systems through which the gas conveyed to consumers consists wholly or mainly of LNG or LPG.</p>
Industrial Emissions Costs	<p>means costs incurred, or expected to be incurred, by the Licensee in relation to works triggered as a result of emissions related legislation, such as Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control, and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control).</p>
Innovation	<p>means any or all of the following:</p> <ul style="list-style-type: none"> (a) a specific piece of New Network equipment; (b) a novel arrangement or application of new or existing Network Equipment; (c) a novel operational practice; or (d) a novel commercial arrangement, <p>that is not, or is not within the scope of, an Ordinary Business Arrangement.</p>
Innovation Roll-out Costs	<p>means the proposed cost of Rolling-out a Proven Innovation.</p>

Interruptible Entry Capacity	means Entry Capacity that may be subject to curtailment by the Licensee pursuant to the provisions relating to interruption under the Network Code.
Kilowatt Hour or kWh	means 3,600,000 Joules.
Legacy Incremental Entry Capacity	means Incremental Obligated Entry Capacity for which the obligation to offer such capacity for sale commenced before 1 April 2013, for which the Licensee receives a revenue entitlement in accordance with Appendix 2 of Special Condition 3A (Restriction of NTS System Operation Revenue) for a specified period of time.
Legacy Incremental Exit Capacity	means Incremental Obligated Exit Capacity for which the obligation to offer such capacity for sale commenced before 1 April 2013, for which the Licensee receives a revenue entitlement in accordance with Appendix 2 of Special Condition 3A (Restriction of NTS System Operation Revenue).
Legacy Period	means Formula Years prior to the Formula Year commencing on 1 April 2013.
Legacy Permit Arrangements	means the Permit Arrangements in force in this licence at 31 March 2013.
Legacy Revenue Drivers	means revenue drivers derived for the release of Legacy Incremental Entry Capacity and Legacy Incremental Exit Capacity in accordance with the revenue restrictions forming part of this licence in periods prior to 1 April 2013.
Legacy TO Entry Capacity	means the volume of Entry Capacity that the Licensee must offer for sale as set out in Table 8 of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply).
Legacy TO Exit Capacity	means the volume of Exit Capacity that the Licensee must offer for sale as set out in Table 10 of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).
Licence Baseline Entry Capacity	means the volume of Entry Capacity that the Licensee must offer for sale as of 1 April 2013 as set out in Table 6 of Special Condition 5F (Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply).
Licence Baseline Exit Capacity	means the volume of Exit Capacity that the Licensee must offer for sale as of 1 April 2013 as set out in Table 8 of Special Condition 5G (Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply).
LNG	means liquefied natural gas.

LNG Storage Business	has the meaning given in Special Condition 1B (Amendments to Standard Special Conditions relating to LNG) which amends Standard Special Condition A3 (Definitions and Interpretations).
Locational Actions	means any action taken by the Licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the On-the-day Commodity Market. Locational buys will be treated as a cost to the Licensee and locational sells will be treated as a revenue.
Logged Up Costs	the total of the operating expenditure and the depreciation and return of the capital expenditure incurred by the Licensee in the period 1 April 2007 to 31 March 2013, and reported to the Authority in accordance with Standard Special Condition A40 (Price Control Review Information) in respect of Quarry and Loss of Development Claims and economic costs incurred by the Licensee for the purpose of implementing any recommendation or requirement to enhance the physical security of any of its sites.
LPG	means a mixture of hydrocarbon gases including propane and butane in accordance with BS EN 589:2004.
Maximum NTS System Operation Revenue	is derived in accordance with Part C of Special Condition 3A (Restriction of NTS System Operation Revenue).
Maximum NTS Transportation Owner Revenue	is derived in accordance with Part C of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Methodology for Network Output Measures	means the methodology that was in place under this licence under the name of “Network Output Measures methodology” in the form in which this licence was in force at 31 March 2013 or as subsequently amended as provided for in this condition Special Condition 7D (Methodology for Network Output Measures).
Network Assets	means the assets that collectively form the pipeline system to which this licence relates, and includes the principal components of those assets.
Network Equipment	means any asset that for the time being forms part of the pipeline system to which this licence relates and any control centre for use in conjunction therewith.
Network Flexibility Costs	means costs incurred, or expected to be incurred, by the Licensee in relation to additional network investment required to continue to meet its 1 in 20 peak Day obligation in the safety case it has in place from time to time pursuant to the Gas Safety (Management) Regulations 1996.
Network Innovation Allowance	has the meaning given to that term in 2E.1 of Special

	Condition 2E (The Network Innovation Allowance).
Network Output Measures (NOMs)	has the meaning given to that term in paragraph 7D.4 of Special Condition 7D (Methodology for Network Output Measures).
Network Replacement Outputs	means the asset health and criticality profile that the Licensee is required to deliver in its transportation system during the Price Control Period that has been approved as part of the price control review and funded in its opening base revenues, as measured by the Network Output Measures.
New Network Equipment	means any new asset that does not yet form part of the pipeline system or control centre for use in conjunction therewith.
NIA Governance Document	means the document issued by the Authority under Part D and in accordance with the requirements of Part E Special Condition 2E (The Network Innovation Allowance).
NIA Percentage	means the percentage of allowed revenue Licensees may use for Eligible NIA projects set out in Appendix 1 of Special Condition 2E (The Network Innovation Allowance).
NIC Funding	has the meaning given to that term in paragraph 2F.8 of Special Condition 2F (The Network Innovation Competition).
NIC Funding Mechanism	has the meaning given to that term in paragraph 2F.7 of Special Condition 2F (The Network Innovation Competition).
NIC Governance Document	means the document issued by the Authority under Part E of Special Condition 2F (The Network Innovation Competition), subject to the requirements of Part F of Special Condition 2F (The Network Innovation Competition), relating generally to the NIC and including matters relating to the NIC Funding Mechanism.
NOMs Methodology	means the methodology for Network Output Measures.
NOMs Methodology Objectives	means the objectives set out in Part B of Special Condition 7D (Methodology for Network Output Measures).
Non-incremental Obligated Entry Capacity	is the sum of Licence Baseline Entry Capacity and Legacy TO Entry Capacity adjusted for Entry Capacity Substitution.
Non-incremental Obligated Exit Capacity	is the sum of Licence Baseline Exit Capacity and Legacy TO Exit Capacity adjusted for Exit Capacity Substitution.
Non-obligated Entry Capacity	means Firm Entry Capacity other than Obligated Entry Capacity.
Non-obligated Exit Capacity	means Firm Exit Capacity other than Obligated Exit Capacity.
NTS Entry Point	means an aggregate system entry point (having the meaning given to that term in the Network Code).

NTS Exit Point	has the meaning given to that term in the Network Code.
NTS SO Activity	shall have the meaning given to the term NTS System Operation Activity.
NTS SO Revenue	shall have the meaning given to the term NTS System Operation Revenue.
NTS System Operation Activity	means engagements undertaken by the Licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO Activity for the delivery of Incremental Entry Capacity and Incremental Exit Capacity, including: <ul style="list-style-type: none"> (a) Incremental Entry Capacity Services; (b) Incremental Exit Capacity Services; (c) residual gas balancing services; (d) balancing management; (e) Constraint Management services; and (f) the provision of services in relation to gas quality.
NTS System Operation Charges	means charges made or levied, or to be made or levied, by the Licensee for the provision of services as part of its NTS System Operation Activity, to any person, for the purpose of recovering its Maximum NTS System Operation Revenue.
NTS System Operator	means the Licensee when carrying out an NTS System Operation Activity
NTS System Operation Revenue	means the revenue derived by the Licensee from the carrying on of the NTS SO Activity, such revenues to be measured on an accruals basis.
NTS TO Activity	shall have the meaning given to the term NTS Transportation Owner Activity.
NTS TO Revenue	shall have the meaning given to the term NTS Transportation Owner Revenue.
NTS Transportation Owner Activity	means the activities of the Licensee connected with the development, administration and maintenance of the NTS and with the Supply of NTS Services.
NTS Transportation Owner Charges	means charges made or levied, or to be made or levied, by the Licensee for the provision of services as part of its NTS Transportation Owner Activity, to any person, for the purpose of recovering its Maximum NTS Transportation Owner Revenue.
NTS Transportation Owner	means the revenue derived by the Licensee from the Supply

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Revenue	of NTS Services to Relevant Shippers and DN Operators in respect of the NTS Transportation Owner Activity (such revenue to be measured on an accruals basis).
NTS Transportation Support Services	means services rendered from either long run contracts at specific exit sites or from the Constrained Storage Facility at Avonmouth that are used as a substitute for capacity during periods of high demand to avoid constraints on the pipeline system to which this licence relates and allow the Licensee to meet its 1 in 20 peak Day obligation in the Safety case it has in place from time to time pursuant to the Gas Safety (Management) Regulations 1996.
Obligated Entry Capacity	is the sum of Non-incremental Obligated Entry Capacity, Funded Incremental Obligated Entry Capacity and Legacy Incremental Entry Capacity.
Obligated Exit Capacity	is the sum of Non-incremental Obligated Exit Capacity, Funded Incremental Obligated Exit Capacity and Legacy Incremental Exit Capacity.
Off-peak Exit Capacity	shall have the meaning given to the term Off-peak Daily NTS Exit (Flat) Capacity in the Network Code.
On-the-day Commodity Market	means the On-the-day Commodity Market in which Relevant Shippers and System Operator can buy and sell gas.
One-off Asset Health Costs	means costs incurred, or expected to be incurred, by the Licensee in relation to any single low probability high impact event (or series of low probability high impact events with a common trigger) not explicitly included within the allowances provided for under the Special Conditions.
Opening Base Revenue Allowance	means the value of the base revenue determined by the Authority and as set out in Appendix 1 of Special Condition 2A (Restriction of NTS Transportation Owner Revenue).
Ordinary Business Arrangement	means any or all of the following: <ul style="list-style-type: none"> (a) a specific piece of Network Equipment; (b) an arrangement or application of Network Equipment; (c) an operational practice; or (d) a commercial arrangement, that is being used or is capable of being used, without modification, by the Licensee or another gas transporter at the start of the Price Control Period.
<u>PARCA</u>	<u>has the meaning given to that term in the Network Code.</u>
<u>PARCA Applicant</u>	<u>has the meaning given to that term in the Network Code.</u>
<u>PARCA Termination Amount</u>	<u>has the meaning given to that term in the Network Code.</u>
<u>PARCA Termination Value</u>	<u>means the amount of money the Licensee is entitled to recover from a PARCA Applicant under the PARCA in the</u>

PCFM Variable Values	<p><u>event a PARCA is terminated.</u></p> <p>A value held in a PCFM Variable Values Table for the Licensee, contained in the GT1 Price Control Financial Model:</p> <p>(a) which is capable of being revised by a direction of the Authority following a determination under a relevant Special Condition; and</p> <p>(b) whose revision does not constitute a modification to the GTA Price Control Financial model for the purposes of Special Condition 4A (Governance of GT1 Price Control Financial Instruments).</p>
PCFM Variable Values Table	<p>means the table on the input sheet of the GT1 Price Control Financial Model for the Licensee which has:</p> <p>(a) column headings for:</p> <ul style="list-style-type: none"> (i) PCFM Variable Value names; (ii) Special Condition numbers; (iii) unit designations; and (iv) Formula Years; <p>(b) a row relating to each PCFM variable Value specified in this licence; and</p> <p>(c) a range of blue coloured cells containing the PCFM Variable Values specified in this licence.</p>
Pension Scheme Administration	<p>has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.</p>
Pension Scheme Established Deficit	<p>has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.</p>
Pension Protection Fund	<p>has the meaning given in the Glossary of the GT1 Price Control Financial Handbook.</p>
Permit Arrangements	<p>means the arrangements for varying the Contractual Delivery Date compared to the Entry Lead Time and Exit Lead Time and is subject to the arrangements set out in Part A of Special Condition 2D (Permit Arrangements for the provision of Incremental Capacity).</p>
<u>Phase 1 PARCA Works Report</u>	<p><u>has the meaning given to that term in the Network Code.</u></p>
Physically Delivered	<p>means that date when the Licensee is first able to accept gas properly tendered for delivery by any Relevant Shipper at an NTS Entry Point or an NTS Exit Point; or the Authority has deemed (in response to a request made by a Relevant Shipper or the Licensee) that the capacity has been delivered.</p>
Pipeline Diversion Costs	<p>means costs incurred, or expected to be incurred, by the Licensee in relation to extant liabilities or other obligations to</p>

	divert existing pipelines. Costs recoverable through this mechanism will be:
	(a) those arising as a result of existing obligations/liabilities taken on by the Gas Council/ British Gas for which the Licensee is now responsible; and
	(b) where the Licensee can demonstrate it has done everything in its powers to recover costs from the relevant party requesting the pipeline diversion.
Price Control Period	means the period of eight Formula Years beginning on 1 April 2013 and ending on 31 March 2021 during which, subject to Special Condition 11A (Disapplication), the Special Conditions will have effect in this licence.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Proven Innovation	means an Innovation which the Licensee can demonstrate has been successfully trialled or demonstrated either on the pipeline system to which this licence relates or elsewhere.
Quarry and Loss Development Claims	means costs incurred, or expected to be incurred, by the Licensee in relation to settling any claims which have been demonstrably challenged by the Licensee as far as is reasonable regarding both the basis of the claim and the quantum of the compensation sought. For avoidance of doubt the following claims under the terms of the Deed of Easement or Deed of Servitude are included: <ul style="list-style-type: none"> (a) loss of crop and drainage; (b) loss of land development (including in relation to housing and quarrying); (c) sterilised minerals; (d) landfill and tipping; and (e) power generation.
Rechargeable Diversions	means mains decommissioned or replaced at the request of a party other than the Licensee and where the cost of the work is recovered or is expected to be recovered from that party (or another) by the Licensee.
Regulatory Asset Value (RAV)	has the meaning given to that term in the Glossary of the GT1 Price Control Financial Handbook.
Relevant SO Special Conditions	means Special Condition 3A (Restriction of NTS System Operation Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 3A to which a Disapplication Request under Special Condition 11A

Relevant TO Special Conditions	(Disapplication of Relevant Special Conditions) relates. means Special Condition 2A (Restriction of NTS Transportation Owner Revenue), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 2A to a Disapplication Request under Special Condition 11A (Disapplication of Relevant Special Conditions) relates.
Replacement Priority	means the category assigned to an asset to prioritise the requirement for intervention (replacement, refurbishment or reconditioning) based on a measure of its asset health and criticality in terms of consequences of failure.
Residual Gas Balancing Services	means the undertaking of engagements relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system.
Retail Prices Index	means: <ul style="list-style-type: none"> (a) the general index of retail prices published by the Office for National Statistics each month in respect of all items; or (b) if that index in respect of any month relevant for the purposes of the Special Conditions has not been published, such price index as the Authority may, after consultation with the Licensee, determine to be appropriate in the circumstances; or (c) if there is a material change in the basis of that index, such other index as the Authority may, after consultation with the Licensee, determine to be appropriate in the circumstances.
Retail Prices Index Forecast Growth Rate	means: <ul style="list-style-type: none"> (a) the growth rate (for the avoidance of doubt the growth rate is presented as a percentage) as defined as the “New forecasts (marked *)” in the HM Treasury “Forecasts for the UK Economy” publication, published in the November of each year; or (b) if that index in respect of any year has not been published, such index as the Authority may, after consultation with the Licensees, determine to be appropriate in the circumstances; or (c) if there is a material change in the basis of that index, such other index as the Authority may, after consultation with the Licensees, determine to be appropriate in the circumstances.
Returned Royalty Income	has the meaning given to that term in paragraph 2F.13 of Special Condition 2F (The Network Innovation Competition).
RIO Principles	means the principles for the assessment of business plans set out in the document entitled “Decision on strategy for the next transmission price control” (Ref 47/11) published on 31 March 2011.

Roll-out	means the incorporation of a Proven Innovation into an Ordinary Business Arrangement.
SO Opening Base Revenue Allowance	means the value of the base revenue determined by the Authority and as set out in Appendix 1 of Special Condition 3A (Restriction of NTS System Operation Revenue).
Special Conditions	means the Special Conditions in Part C of Part IV of this licence.
Specified Information	has the meaning given in Standard Special Condition A40 (The Regulatory Instructions and Guidance).
Stakeholder	for the purposes of Special Condition 2C (Stakeholder Satisfaction Outputs) refers to the general body of persons (including but not limited to Customers or other actual users of the Licensee’s network) who are affected by or have an interest in the Licensee’s operations.
Stakeholder Engagement Reward	means the reward provided for in Part B of Special Condition 2C (Stakeholder Satisfaction Output).
Statutory Network Security Standard	has the meaning given to the term “Gas Security Standard” as defined in Standard Special Condition A9 (Pipe-line System Security Standards).
Subscript d	means the relevant Day. d=1 refers to the Day commencing at 06:00 on 1 April 2013.
Subscript m	means the relevant Formula Month. m=1 refers to the Formula Month commencing at 06:00 on 1 April 2013.
Subscript n	means the day relevant for the purposes of determining the Licensee’s Permit Arrangements. n=1 refers to the day commencing at 06:00 on 1st April 2013.
Subscript t	subject to the definition for “Formula Year t” above, means the relevant Formula Year. t=1 refers to the Formula Year commencing at 06:00 on 1st April 2013.
Supply of Distribution Network Services	means the undertaking and performance for gain or reward of engagements: <ul style="list-style-type: none"> (a) in connection with the conveyance of gas through the Distribution Network; (b) for the prevention of the escape of gas which has been taken off the Distribution Network; and (c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of: <ul style="list-style-type: none"> (d) the balancing of the Distribution Network through the acquisition or disposal of gas to replace gas lost from the Distribution Network; and (e) facilitating Constraint Management.
Supply of LNG Storage	has the meaning given in Special Condition 1B (Amendments to Standard Special Conditions relating to LNG) which

Services	amends Standard Special Condition A3 (Definitions and Interpretations).
Supply of NTS Services	means the undertaking and performance for gain and reward of engagements: (a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS SO activity; and (b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipe-line system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the Licensee, would fall within the definition of the Distribution Network; and (c) for the provision of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
Time Value of Money Adjustment	has the meaning given to that term in the Glossary of the GT1 Price Control Financial Handbook.
TO Totex Incentive Mechanism	has the meaning given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook
Totex	has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.
Totex and SO Totex	have the meanings given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.
Totex and TO Totex	have the meanings given to those terms in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.
Totex Capitalisation Rate	has the meaning given in the glossary of the GT1 Price Control Financial Handbook.
Totex Incentive Mechanism	has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.
Totex Incentive Mechanism Adjustment	has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.
Totex Incentive Strength Rate	means the incentive rate for the Licensee set out in Appendix 1 to Special Condition 5B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS Transportation Owner and Special Condition 6B (Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments – NTS System Operator).
Transportation System	means the system (having the meaning given to that term in the Network Code) to which this licence relates.
Unrecoverable Expenditure	means expenditure on a NIA project which the Authority has

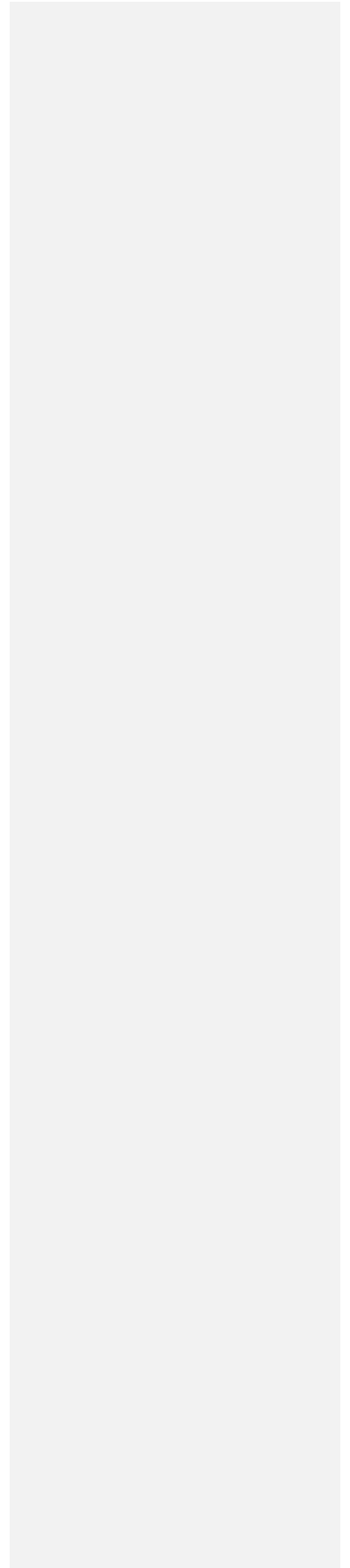
determined does not satisfy the requirements of the NIA Governance Document.

User

has the meaning given to that term in the Network Code.

**Vanilla Weighted Average
Cost of Capital**

has the meaning given to that term in the methodology in chapter 6 of the GT1 Price Control Financial Handbook.



Special Condition 2A. Restriction of NTS Transportation Owner Revenue

Introduction

2A.1 The purpose of this condition is as follows:

- (a) to establish the charging restrictions that determine the level of Maximum NTS Transportation Owner Revenue that may be recovered by the Licensee through NTS Transportation Owner Charges; and
- (b) to set out the obligations of the Licensee in respect of those restrictions.

Part A: Licensee's obligation

2A.2 The Licensee, in setting NTS Transportation Owner Charges, must use its best endeavours to ensure that, in Formula Year t , NTS Transportation Owner Revenue (TOR_t) does not exceed Maximum NTS Transportation Owner Revenue (MR_t).

Part B: Calculation of NTS Transportation Owner Revenue (TOR_t)

2A.3 For the purposes of Part A of this condition, the NTS Transportation Owner Revenue in respect of Formula Year t is derived in accordance with the following formula:

$$TOR_t = TOREntC_t + TORExC_t + TORCOM_t$$

2A.4 In the above formula for TOR_t :

$TOREntC_t$ means that amount of NTS TO Revenue in respect of Formula Year t that results from the sale of the following types of Entry Capacity:

- (a) Non-incremental Obligated Entry Capacity (ahead of the gas Day); and
- (b) Funded Incremental Obligated Entry Capacity (ahead of the gas Day).

$TORExC_t$ means that amount of NTS TO Revenue in respect of Formula Year t that results from the sale of the following types of Exit Capacity:

- (a) Non-incremental Obligated Exit Capacity (ahead of the gas Day); and
- (b) Funded Incremental Obligated Exit Capacity (ahead of the gas Day).

$TORCOM_t$ means that amount of NTS TO Revenue in respect of Formula Year t that results from:

- (a) charges levied by the Licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); or
- (b) payments made by the Licensee to Gas Shippers and DN Operators,

other than revenue earned by the Licensee through TOREntC_t and TOREx_t.

Part C: Calculation of Maximum NTS Transportation Owner Revenue (MR_t)

2A.5 Maximum NTS Transportation Owner Revenue, in Formula Year t, is derived in accordance with the following formula (in this condition, the “Principal Formula”):

$$MR_t = BR_t + PT_t + OIR_t + NIA_t + NICF_t + \underline{PTV_t} - K_t$$

2A.6 In the Principal Formula:

- MR_t means the amount of Maximum NTS Transportation Owner Revenue in Formula Year t.
- BR_t means the amount of Base NTS Transportation Owner Revenue in Formula Year t as derived in accordance with the formula set out in Part D of this condition.
- PT_t means the allowed pass-through items revenue adjustment made in Formula Year t as derived in accordance with Special Condition 2B (Calculation of allowed pass-through items).
- OIR_t means the output incentive revenue adjustment made in Formula Year t as derived in accordance with the formula set out in Part E of this condition.
- NIA_t means the revenue adjustment made in Formula Year t in respect of the Network Innovation Allowance as derived in accordance with Special Condition 2E (The Network Innovation Allowance).
- NICF_t means the revenue adjustment made in Formula Year t in respect of the allowance given under the Network Innovation Competition as derived in accordance with Special Condition 2F (The Network Innovation Competition).
- PTV_t means the revenue adjustment made in Formula Year t where a PARCA has been terminated prior to the allocation of Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity in accordance with the formula set out in Part F of this condition.
- K_t means the correction term revenue adjustment in Formula Year t as derived in accordance with the formula set out in Part ~~F~~G of this condition.

Part D: Calculation of Base NTS Transportation Owner Revenue (BR_t)

2A.7 For the purposes of the Principal Formula, BR_t is derived in accordance with the following formula:

$$BR_t = (PU_t + MOD_t + TRU_t) \times RPIF_t$$

2A.8 In the above formula for BR_t:

- PU_t means the amount set out against the Licensee’s name in Appendix 1 of this condition and represents the Opening Base Revenue Allowance in Formula Year t determined by the Authority in relation to the NTS

Transportation Owner Activity.

MOD_t has the value zero in Formula Year 2013/14 and in each subsequent Formula Year is the value of the incremental change for Formula Year t from the Licensee's Opening Base Revenue Allowance as derived in accordance with the Annual Iteration Process set out in Parts A and B of Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model).

TRU_t has the value zero in Formula Year 2013/14 and in each subsequent Formula Year means the NTS Transportation Owner Revenue adjustment made in Formula Year t in respect of the actual value of the Retail Prices Index in Formula Year t-2 minus the assumed value of the Retail Prices Index in Formula Year t-2, as derived in accordance with paragraph 2A.10 of this condition.

$RPIF_t$ is the price index adjustment factor in Formula Year t as derived in accordance with paragraph 2A.9 of this condition.

2A.9 For the purposes of paragraph 2A.7 of this condition, $RPIF_t$ is derived in accordance with the following formula:

$$RPIF_t = RPIA_{t-2} \times (1 + GRPIF_{t-1}) \times (1 + GRPIF_t)$$

where:

$RPIA_t$ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April to 31 March in Formula Year t divided by the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April 2009 to 31 March 2010 as derived in accordance with the following formula:

$$RPIA_t = \frac{RPI_t}{RPI_{2009/10}}$$

where:

RPI_t means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April to 31 March in Formula Year t.

$RPI_{2009/10}$ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from 1 April 2009 to 31 March 2010.

and:

$$GRPIF_t = (0.75 \times GRPIF_c) + (0.25 \times GRPIF_{c+1})$$

$$GRPIF_{t-1} = (0.75 \times GRPIF_{c-1}) + (0.25 \times GRPIF_c)$$

where:

$GRPIF_c$ means the Retail Prices Index Forecast Growth Rate for calendar year c, where c denotes the calendar year in which Formula Year t begins and the expressions c-1 and c+1 should be interpreted accordingly. In each such case, the Retail Prices Index Forecast Growth Rates for

calendar year c-1, c and c+1 are taken from the November edition of the HM Treasury publication “Forecasts for the UK Economy”, in Formula Year t-1, subject to the Authority’s power to determine otherwise.

2A.10 For the purposes of paragraph 2A.7 of this condition, TRU_t is derived in accordance with the following formula:

$$TRU_t = \left(\frac{RPIA_{t-2} - RPIF_{t-2}}{RPIA_{t-2}} \right) \times REV_{t-2} \times PVF_{t-2} \times PVF_{t-1}$$

2A.11 In the above formula for TRU_t :

REV_{t-2} means the amount (in 2009/10 prices), for Formula Year t-2, of the combined value of all Special Condition revenue adjustments that are indexed by the Retail Prices Index as derived in accordance with the formula in paragraph 2A.12 or 2A.13 of this condition.

PVF_t means the present value adjustment term for Formula Year t and will be calculated as one plus the Vanilla Weighted Average Cost of Capital as derived by the Authority in accordance with the Annual Iteration Process, and the expressions PVF_{t-1} and PVF_{t-2} will be interpreted accordingly.

2A.12 For the purposes of paragraph 2A.10 of this condition, subject to paragraph 2A.13, REV_{t-2} is derived in accordance with the following formula:

$$REV_{t-2} = \frac{BR_{t-2} + RB_{t-2} + LF_{t-2} + OPTC_{t-2} + PA_{t-2}}{RPIF_{t-2}} - ISE_{t-2}$$

where:

BR_{t-2} means the amount of Base NTS Transportation Owner Revenue in Formula Year t-2 as derived in accordance with the formula set out in paragraph 2A.7 of this condition.

RB_{t-2} means the amount of the business rates adjustment in Formula Year t-2 as derived in accordance with Part B of Special Condition 2B.

LF_{t-2} means the amount of the licence fee adjustment in Formula Year t-2 as derived in accordance with Part C of Special Condition 2B.

$OPTC_{t-2}$ means the amount of the policing cost adjustment in Formula Year t-2 as derived in accordance with Part D of Special Condition 2B.

ISE_{t-2} means the amount of the Independent Systems allowance in Formula Year t-2 as set out in Appendix 3 of Special Condition 2B.

PA_{t-2} means the permits revenue adjustment made in Formula Year t-2 as derived in accordance with Special Condition 2D (Permit Arrangements for the provision of incremental capacity).

2A.13 For the purposes of paragraph 2A.10 of this condition, in Formula Year 2014/15 REV_{t-2} is derived in accordance with the following formula:

$$REV_{t-2} = \frac{TOZ_{t-2} - TOZA_{t-2}}{RPIF_{t-2}} + CxIncRA_{t-2} - TORB_{t-2} - TOLA_{t-2}$$

where:

- TOZ_{t-2}** means, in respect of the Formula Year commencing 1 April 2012, the base NTS TO revenue as derived in accordance with paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) of this licence in the form in which it was in force at 31 March 2013.
- TOZA_{t-2}** means, in respect of the Formula Year commencing 1 April 2012, the base NTS TO revenue adjustment term in respect of the Milford Haven pipe-line project as derived in accordance with paragraph 3(a) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.
- CxIncRA_{t-2}** means, in respect of the Formula Year commencing 1 April 2012, the baseline capital expenditure incentive revenue as derived in accordance with paragraph 3(c) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.
- TORB_{t-2}** means, in respect of the Formula Year commencing 1 April 2012, the NTS prescribed rates allowance as represented by the amount set out in paragraph 3(b) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.
- TOLA_{t-2}** means, in respect of the Formula Year commencing 1 April 2012, the licence fee payments allowance as represented by the amount set out in paragraph 3(b) of Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

Part E: Calculation of the outputs incentive revenue adjustment (OIR_t)

2A.14 For the purposes of the Principal Formula, OIR_t is derived in accordance with the following formula:

$$OIR_t = SSO_t + PA_t$$

2A.15 In the above formula for OIR_t:

- SSO_t** means the revenue adjustment made in Formula Year t reflecting the Licensee's performance in relation to its stakeholder satisfaction as derived in accordance with Special Condition 2C (Stakeholder Satisfaction Output).
- PA_t** means the permits revenue adjustment made in Formula Year t in respect of the Licensee's Permit Arrangements as derived in accordance with Special Condition 2D (Permit Arrangements for the provision of incremental capacity).

Part F: Calculation of the PARCA Termination Amount Term (PTV_t)

2A.16 For the purposes of the Principal Formula, PTV_t is derived in accordance with the following formula:

$$\begin{aligned} & PTV_t \\ &= \frac{(\sum_{s=2014/15}^{t-2} \sum_{vj} (FICC_{j,s} \times \prod_{r=s}^{t-2} PVF_r \div PVF_{t-2}) \times TIS_{t-2} \div (1 - TR_{t-2}) - TERM_{t-2})}{RPIA_{t-2}} \\ & \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t \end{aligned}$$

where:

$\sum_{s=2014/15}^{t-2}$ means the sum over all formula years 2014/15 to t-2 inclusive

\sum_{vj} means the sum for all PARCAs j in the population

FICC_{j,s} means the total expenditure efficiently incurred by the Licensee in each formula year s in respect of release of Funded Incremental Obligated Entry Capacity or Funded Incremental Obligated Exit Capacity, for PARCA j which is terminated during formula year t-2 prior to the allocation of that capacity.

$\prod_{r=s}^{t-2} PVF_r$ means the product of all PVF terms from the year that costs were incurred (s) to t-2 inclusive

TIS_{t-2} means the Totex Incentive Strength Rate for the Licensee applicable to formula year t-2 set out in Appendix 1 to Special Condition 5B (Determination of PCFM Variable Values for totex Incentive Mechanism Adjustments – NTS Transportation Owner)

TERM_{t-2} means any PARCA Termination Amounts recovered by the licensee from PARCA Applicants in Formula Year t-2

TR_t means the corporation tax rate that is applicable to Relevant Year t

RPIA_t has the value given to it by Part D of this condition

PVF_t has the value given to it by Part D of this condition

RPIF_t has the value given to it by Part D of this condition

2A.17 If the licensee is not entitled to recover the PARCA Termination Amount PTV_t will have the value zero

2A.18 In the Formula Years 2014/15 and 2015/16 PTV_t will have the value zero

Part FG: Calculation of the correction term (K_t)

~~2A.16~~2A.19 For the purposes of the Principal Formula, subject to paragraphs 2A.20~~2A.17~~ and 2A.21~~2A.18~~, K_t is derived in accordance with the following formula:

$$K_t = (TOR_{t-2} - MR_{t-2}) \times \left(1 + \frac{I_{t-2} + PR_t}{100}\right) \times \left(1 + \frac{I_{t-1} + 1.5}{100}\right)$$

where:

TOR_{t-2} means the NTS Transportation Owner Revenue as derived in accordance with Part B of this condition in respect of Formula Year t-2.

MR_{t-2} means the Maximum NTS Transportation Owner Revenue as derived in accordance with Part C of this condition in respect of Formula Year t-2.

I_t means Average Specified Rate in respect of Formula Year t.

PR_t means the interest rate adjustment in Formula Year t as derived in accordance with the formula set out in Part G-H of this condition.

~~2A.17~~2A.20 For the Formula Year 2013/14, K_t is derived in accordance with the following formula:

$$K_t = (TOR_{t-1} - MR_{t-1}) \times \left(1 + \frac{I_{t-1} + PRO_t}{100}\right)$$

where:

TOR_{t-1} means the NTS Transportation Owner Revenue in respect of the Formula Year commencing 1 April 2012 as derived in accordance with Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

MR_{t-1} means the Maximum NTS Transportation Owner Revenue in respect of the Formula Year commencing 1 April 2012 represented by the term $TOMR_t$ derived in accordance with Special Condition C8B of this licence in the form in which it was in force at 31 March 2013.

I_t means Average Specified Rate in respect of Formula Year t.

PRO_t means the interest rate adjustment in Formula Year t as derived in accordance with the formula set out in Part G-H of this condition.

~~2A.18~~2A.21 In the Formula Year 2014/15 K_t will have the value zero.

Part GH: Interest adjustment for over and under recoveries of revenue

~~2A.19~~2A.22 For the purposes of Part ~~F-G~~ of this condition, the value of the interest rate adjustment PR_t is to be treated as follows:

- (a) if, in respect of Formula Year t-2, NTS Transportation Owner Revenue exceeds 104 per cent of Maximum NTS Transportation Owner Revenue, PR_t will have the value of 3;
- (b) if, in respect of Formula Year t-2, NTS Transportation Owner Revenue is less than 96 per cent of Maximum NTS Transportation Owner Revenue, PR_t will have the value zero; and
- (c) in all other cases PR_t will have the value 1.5.

~~2A.20~~2A.23 For the purposes of Part ~~F-G~~ of this condition, for Formula Year 2013/14 only, the value of the interest rate adjustment PRO_t is to be treated as follows:

- (a) if, in respect of Formula Year t-1, NTS Transportation Owner Revenue exceeds Maximum NTS Transportation Owner Revenue, PRO_t will have the value of 3; and
- (b) in all other cases PRO_t will have the value zero.

Part HJ: Treatment of charges in the event of over recovery

~~2A.21~~2A.24 Paragraph ~~2A.25~~2A.22 applies from 1 April 2016.

~~2A.22~~2A.25 If, in respect of two successive Formula Years t-2 and t-3, the Licensee's NTS Transportation Owner Revenue in each of those Formula Years exceeds 106 per cent of Maximum NTS Transportation Owner Revenue for those Formula Years, the Licensee:

- (a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and
- (b) must not increase its NTS Transportation Owner Charges for Formula Year t except and to the extent that the Authority has consented to such an increase.

Part IJ: Treatment of charges in the event of under recovery

~~2A.23~~2A.26 Paragraph ~~2A.27~~2A.24 applies from 1 April 2016.

~~2A.24~~2A.27 If, in respect of two successive Formula Years t-2 and t-3, the Licensee's NTS Transportation Owner Revenue in each of those Formula Years is less than 94 per cent of the Maximum NTS Transportation Owner Revenue for those Formula Years, the Licensee:

- (a) must have provided an explanation for that event in writing to the Authority by 31 July in the associated Formula Year t-1; and
- (b) must use best endeavours in setting NTS Transportation Owner Charges to recover Maximum NTS Transportation Owner Revenue in Formula Year t.

Appendix 1

Values for the PU_t term (2009/10 prices)

(see paragraph 2A.7 of this condition)

	PU (£m)							
Formula Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
National Grid Gas plc	538.686	542.927	547.965	580.570	658.619	626.870	621.724	620.338

Special Condition 5F. Determination of Incremental Obligated Entry Capacity volumes and the appropriate revenue drivers to apply

Introduction

5F.1 The purpose of this condition is to set out:

- (a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Entry Capacity;
- (b) the treatment of Incremental Obligated Entry Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Entry Capacity; and
- (c) the obligations on the Licensee to calculate revenue drivers for NTS Entry Points where required (as set out in this condition) in a timely manner.

5F.2 The $EnCI_t$ term derived in accordance with this condition will constitute a revised value for the PCFM Variable Value $EnCI$ for Formula Year t for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model). As a consequence of the Annual Iteration Process, the value of the term MOD_t as calculated for Formula Year t for the purposes of Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an adjustment of the Licensee's Base NTS Transportation Owner Revenue in a manner that is consistent with the policy set out in the GT1 Price Control Financial Methodologies contained within the GT1 Price Control Financial Handbook.

Part A: Notice to release Incremental Obligated Entry Capacity

5F.3 Where the Licensee receives a request for Funded Incremental Obligated Entry Capacity it must publish a notice in writing where it intends to reserve that capacity subject to the provisions in the appropriate capacity methodology statements.

5F.4 The Licensee must ensure adequate publicity to any such notice.

5F.5 The notice must set out the quantity of capacity requested at each NTS Entry Point at which the Licensee has received a request for that volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity to be treated as Incremental Obligated Entry Capacity. If capacity has been requested at a place on where, at the time of the request, no NTS Entry Point has been defined in the licence, the notice must set out a description of the location at which that capacity has been requested.

5F.6 The notice must also set out the Licensee's proposal for that quantity of Firm Entry Capacity to be treated for the purposes of this condition as either:

- (a) Funded Incremental Obligated Entry Capacity; or
- (b) Non-incremental Obligated Entry Capacity provided by Entry Capacity Substitution in accordance with Special Condition 9A.

Part AB: Proposal to release Incremental Obligated Entry Capacity and the associated funding arrangements

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~~5F.35F.7~~ Where the Licensee reasonably believes that there is or will be demand from Users for the volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity as a result of calculations carried out by the Licensee in accordance with its Capacity Methodology Statements for the time being in force pursuant to Special Conditions 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9B (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), it must give a notice in writing (the “Entry Capacity notice”) to the Authority.

~~5F.45F.8~~ The Entry Capacity notice must set out the Licensee’s proposals in respect of each NTS Entry Point at which the Licensee believes there is or will be demand for that volume of Firm Entry Capacity in excess of the prevailing level of Firm Entry Capacity to be treated as Incremental Obligated Entry Capacity (the “proposal”).

~~5F.55F.9~~ The Entry Capacity notice must set out the Licensee’s proposal for that volume of Firm Entry Capacity to be treated for the purposes of this condition as either:

- (a) Funded Incremental Obligated Entry Capacity; or
- (b) Non-incremental Obligated Entry Capacity provided by Entry Capacity Substitution in accordance with Special Condition 9A.

~~5F.65F.10~~ The Entry Capacity notice must include the following information, in sufficient detail to enable the Authority to determine (in accordance with paragraph ~~5F.135F.9~~ of this condition) whether the Licensee must implement the proposal:

- (a) the results of applying the capacity release methodology statements for the time being in force pursuant to Special Condition 9B and the rationale and justification for why the Licensee considers that the volume of Firm Entry Capacity should be released;
- (b) how the capacity release methodology statements for the time being in force pursuant to Special Condition 9B have been applied (including the provision of all relevant input data) by the Licensee to determine the amount of Firm Entry Capacity that it proposes to treat as Incremental Obligated Entry Capacity;
- (c) the NTS Entry Point or NTS Entry Points to which the proposal relates;
- (d) the volume of Incremental Obligated Entry Capacity that the Licensee proposes to treat as:
 - (i) Funded Incremental Obligated Entry Capacity and the associated revenue driver allowance for each relevant Formula Year t $EnCl_t$ calculated in accordance with Part B of this condition and/or associated variation to the Constraint Management target for each relevant Formula Year t $CMOpDT_t$ for the purposes of Part I of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management); and
 - (ii) Non-incremental Obligated Entry Capacity substituted to that NTS Entry Point in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A to which the proposal relates;

- (e) the volume of unsold Non-incremental Obligated Entry Capacity that has been substituted from one or more other NTS Entry Points, in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A;
- (f) the first month in which the volume of Incremental Obligated Entry Capacity referred to in paragraph ~~5F.105F.105F.6~~(d) of this condition would be provided at the relevant NTS Entry Point or in which the volume of Non-incremental Obligated Entry Capacity referred to in paragraph ~~5F.105F.105F.6~~(e) of this condition would cease to be provided at the relevant NTS Entry Points (for the avoidance of doubt, the capacity will be deemed to be used from the first Day of the month in question); ~~and~~
- (g) the date in respect of which the Licensee's obligations to offer for sale the volume of Incremental Obligated Entry Capacity referred to in paragraph ~~5F.105F.105F.6~~(d) of this condition would commence and the date on which the Licensee's obligations to offer for sale that volume of Non-incremental Obligated Entry Capacity substituted away from those NTS Entry Points referred to in paragraph ~~5F.105F.105F.6~~(e) of this condition would cease; ~~and~~
- ~~(h) details of any Permit Arrangements made under the provisions of Special Condition 2D (Permit Arrangements for the provision of incremental capacity).~~

~~5F.75F.11~~ The Licensee must keep each Entry Capacity notice.

~~5F.85F.12~~ The Licensee must provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering an Entry Capacity notice made by the Licensee.

~~5F.95F.13~~ The Licensee must implement the proposal as set out within the Entry Capacity notice made pursuant to paragraph ~~5F.75F.75F.3~~ of this condition or as modified in accordance with paragraph ~~5F.145F.145F.10~~(b) of this condition, unless:

- (a) the Authority has, within 7 days from the receipt by the Authority of the Entry Capacity notice, notified the Licensee in writing that it should suspend the implementation of the proposal contained in the Entry Capacity notice because, in its opinion, the Authority requires further consideration to evaluate whether that proposal, and the supporting information, is consistent with the Licensee's Entry Capacity release methodology, the Licensee's Entry Capacity Substitution methodology (established pursuant to Special Condition 9A), and the Licensee's duties under the Act and the obligations in this licence; or
- (b) the Authority has, within 28 days from the receipt by the Authority of the application made pursuant to paragraph ~~5F.75F.75F.3~~ of this condition, directed the Licensee, on or before that date, not to implement that proposal.

~~5F.105F.14~~ Where the Authority has notified the Licensee in writing to suspend implementation of the proposal in accordance with paragraph ~~5F.135F.135F.9~~(a) of this condition but has not issued a direction under paragraph ~~5F.135F.135F.9~~(b) of this condition, the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the Entry Capacity notice either:

- (a) to implement the proposal as set out in the Entry Capacity notice; or

(b) to implement the proposal in a modified form, subject to the agreement of the Licensee to that modified form, where such modifications relate to:

(i) the volume of Incremental Obligated Entry Capacity that the Licensee proposes to treat as:

1. Funded Incremental Obligated Entry Capacity; or
2. Non-incremental Obligated Entry Capacity substituted to any NTS Entry Point in accordance with the Entry Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A; and

(i) the first month in respect of which the volume of Incremental Obligated Entry Capacity or Non-incremental Obligated Entry Capacity referred to in:

1. paragraph ~~5F.105F.105F.6~~(d) of this condition would be provided at the relevant NTS entry point; or
2. paragraph ~~5F.105F.105F.6~~(e) of this condition would cease to be provided at the relevant NTS entry points.

~~5F.115F.15~~ The Licensee may withdraw an Entry Capacity notice within 7 days from receipt by the Authority of the Entry Capacity notice, except where the Authority has notified the Licensee under paragraph ~~5F.135F.135F.9~~(a) of this condition to suspend implementation of the proposal set out in an Entry Capacity notice.

~~5F.125F.16~~ Where the Authority makes a notification under paragraph 5F.913(a), the Licensee may withdraw such a proposal within 28 days from receipt by the Authority of the Entry Capacity notice, unless the Authority has otherwise directed the Licensee to implement the proposal in accordance with paragraph ~~5F.145F.145F.10~~ of this condition.

~~5F.135F.17~~ Where the Authority has made a direction that the Licensee should not implement a proposal set out in an Entry Capacity notice, the Licensee remains entitled to make available Firm Entry Capacity additional to the prevailing level of Obligated Entry Capacity at the time the proposal is made, and any such volume of Firm Entry Capacity sold by the Licensee must be treated as Non-obligated Entry Capacity.

~~5F.145F.18~~ The Licensee must publish on its website the effect of implementing each proposal set out in an Entry Capacity notice on the cumulative volume of Funded Incremental Obligated Entry Capacity and Non-incremental Obligated Entry Capacity for each NTS Entry Point *i* for each month *m* in a form and manner approved by the Authority.

~~5F.155F.19~~ The Licensee must use reasonable endeavours to ensure that the information published pursuant to paragraph 5F.14-18 is accurate and up-to-date.

~~5F.165F.20~~ Where the Authority directs that the Licensee should implement a proposal set out in an Entry Capacity notice, the licensee must calculate the appropriate additional Totex Allowance in accordance with Part **BC**.

Part BC: Additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity

~~5F.17~~5F.21 This paragraph applies where the Licensee has made a proposal pursuant to Part ~~A-B~~ above which has proposed that Entry Capacity be treated for the purposes of this condition as Funded Incremental Obligated Entry Capacity.

~~5F.18~~5F.22 The total Totex allowance for Formula Year t due to the Licensee in respect of the release of Funded Incremental Obligated Entry Capacity (EnCl_t) will be determined in accordance with the following formula:

$$\text{EnCl}_t = 0.2 \times \sum_{\text{all } i} \sum_{\text{all } j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \text{ where } t = y-2$$

$$\text{EnCl}_t = 0.8 \times \sum_{\text{all } i} \sum_{\text{all } j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \text{ where } t = y-1$$

$$\text{EnCl}_t = 0.01 \times \sum_{\text{all } i} \sum_{\text{all } j} \text{TotEntRevD}_{i,j,y} \times \text{EntIND}_t; \text{ where } t = y \text{ and any subsequent Formula Year to the end of the Price Control Period}$$

$$\text{EnCl}_t = 0; \text{ otherwise}$$

where:

y is the Formula Year during which the Contractual Delivery Date for Funded Incremental Obligated Entry Capacity at NTS Entry Point i for an amount of Incremental Entry Capacity of j GWh/d falls.

TotEntRevD_{i,j,y} is the additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity at NTS Entry Point i for an amount of Incremental Obligated Entry Capacity of j GWh/d, calculated as provided for in with Part ~~C-D~~ of this condition.

EntIND_t is the real additional cost inflation index above RPI based on the real price effect allowance for Formula Year t and will take the values in Table 1 below.

Table 1: Values for the real additional cost inflation index

Formula Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
EntIND _t	1.015	1.018	1.022	1.026	1.029	1.033	1.037	1.041

Part C: Additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity (TotEntRevD_{i,j,y})

~~5F.19~~ Except where the Licensee has in place a generic entry and exit revenue driver methodology statement pursuant to Special Condition 9C (Methodology to determine revenue drivers), the additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity for use at NTS Entry Point i, for an amount of

Incremental Entry Capacity of j GWh/d ($TotEntRevD_{i,j,y}$) will be calculated in accordance with Part D of this condition.

5F.20—Where the Licensee has in place a generic entry and exit revenue driver methodology statement pursuant to Special Condition 9C, the Licensee must calculate the appropriate additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity for use at NTS Entry Point i , for an amount of Incremental Entry Capacity of j GWh/d in accordance with that methodology.

5F.21—The Licensee must send the Authority a notice to indicate the amount for $TotEntRevD_{i,j,y}$ and this value will be subsequently determined by the Authority in accordance with Part E of this condition.

Part D: Additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity ($TotEntRevD_{i,j,y}$) where a generic entry and exit revenue driver methodology has not been approved by the Authority and published by the Licensee

5F.22—Where no generic entry and exit revenue driver methodology is in place pursuant to Special Condition 9C, the value for the additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity, $TotEntRevD_{i,j,y}$ will be calculated in accordance with the relevant formula specified in Table 2 below.

Table 2: Calculation of relevant additional Totex allowance

where: $j \leq 25$ GWh/d	$TotEntRevD_{i,j,y}$ will be calculated using the formula specified in paragraph 5F.24(i) of this condition “Formula A”.
where: $25 < j \leq 100$ GWh/d	$TotEntRevD_{i,j,y}$ will be calculated using the formula specified in paragraph 5F.24(ii) of this condition “Formula B”.
where: $100 < j \leq 500$ GWh/d	$TotEntRevD_{i,j,y}$ will be calculated using the formula specified in paragraph 5F.24(iii) of this condition “Formula C”.
where: $500 < j$	$TotEntRevD_{i,j,y}$ will be calculated using the formula specified in paragraph 5F.24(iv) of this condition “Formula D”.

5F.23—For the purposes of Table 2, j means the volume (in units of GWh/d) of Funded Incremental Obligated Entry Capacity at NTS Entry Point i which is contractually delivered within Formula Year y .

5F.24—For the purposes of paragraph 5F.22 of this condition:

- i) Formula A will be:

$$TotEntRevD_{i,j,y} = j \times EnFIR_i$$
 where:

$EnFIR1_i = EnFIRz_i$, where $z=1$.

ii) Formula B will be:

$$TotEntRevD_{i,j,y} = (25 \times EnFIR1_i) + (j - 25) \times EnFIR2_i$$

where:

$EnFIR1_i = EnFIRz_i$, where $z=1$; and

$EnFIR2_i = EnFIRz_i$, where $z=2$.

iii) Formula C will be:

$$TotEntRevD_{i,j,y} = (25 \times EnFIR1_i) + (75 \times EnFIR2_i) + (j - 100) \times EnFIR3_i$$

where:

$EnFIR1_i = EnFIRz_i$, where $z=1$;

$EnFIR2_i = EnFIRz_i$, where $z=2$; and

$EnFIR3_i = EnFIRz_i$, where $z=3$.

iv) Formula D will be:

$$TotEntRevD_{i,j,y} = (25 \times EnFIR1_i) + (75 \times EnFIR2_i) + (400 \times EnFIR3_i) + (j - 500) \times EnFIR4_i$$

where:

$EnFIR1_i = EnFIRz_i$, where $z=1$;

$EnFIR2_i = EnFIRz_i$, where $z=2$;

$EnFIR3_i = EnFIRz_i$, where $z=3$; and

$EnFIR4_i = EnFIRz_i$, where $z=4$.

where $EnFIRz_i$ is the Totex allowance for Funded Incremental Obligated Entry Capacity at NTS Entry Point i and will take the values in accordance with Table 3 below except where the Licensee brings forward a proposal for a new value for an NTS Entry Point or NTS Entry Points and the Authority modifies this condition to reflect that new value.

Table 3: Totex allowances for NTS Entry Points

	$EnFIRz_i$	$z =$			
		1	2	3	4
		£m per GWh/d capacity release – marginal cost (2009/10 prices)			
Capacity Range	0-25GWh/d	25-100GWh/d	100-500GWh/d	>500GWh/d	
Entry Point i	Easington				
	Bacton				
	Isle of Grain				
	Milford Haven				
	St Fergus				
	Teesside				
	Barrow				
	Theddlethorpe				
	Burton Point				
	Hole House Farm				

Barton Stacey				
Hatfield Moor				
Garton				
Cheshire				
Hornsea				
Fleetwood				
Burton Agnes (Caythorpe)				
Wytch Farm				
Blyborough (Welton)				
Winkfield				
Tatsfield				
Glenmavis				
Partington				
Avonmouth				
Dynevor Arms				
Albury				
Palmers Wood				
Portland				
Canonbie				

Part **ED**: Additional Totex allowances in respect of the release of Funded Incremental Obligated Entry Capacity (TotEntRevD_{i,j,y}) **where a generic entry and exit revenue driver methodology has been approved by the Authority and published by the Licensee**

5F.255F.23 The Authority will determine a value for TotEntRevD_{i,j,y} by 30 September or as soon as reasonably practicable thereafter in Formula Year t-1 where an additional Totex allowance in respect of the release of Funded Incremental Obligated Entry Capacity will apply for Formula Year t and will bring forward a proposal to modify this condition to implement that determination by modifying Table 4.2 as soon as is reasonably practicable.

Table 4.2: Directed values for additional Totex allowance for Funded Incremental Obligated Entry Capacity (TotEntRevD_{i,j,y}) (£m 2009/10 prices)

Entry point i	Date directed	Date of contractual delivery of capacity (within Formula Year y)	Volume (in units of GWh/d) of capacity delivered (j)	TotEntRevD _{i,j,y} (£m 2009/10 prices)
Entry point A	nn/nn/nn			
Entry point B	nn/nn/nn			

Part FE: Procedure for direction of EnCl_t values by the Authority

~~5F.26~~5F.24 Any value for EnCl_t applying for Formula Year t determined by the Authority in accordance with Part ~~B-C~~ of this condition will be directed by the Authority by 30 November or as soon as reasonably practicable thereafter in each Formula Year t-1.

~~5F.27~~5F.25 The values directed by the Authority under paragraph ~~5F.24~~~~5F.25~~~~5F.26~~ will be deemed to be set out in Table ~~5-3~~ below.

Table 53: Directed values for additional Totex allowance for Funded Incremental Obligated Entry Capacity (EnCl_t) (£m 2009/10 prices)

Value for EnCl _t (£m) (2009/10 prices)		Formula Year							
	Date Directed	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21
Entry point A	nn/nn/nn								
Entry point B	nn/nn/nn								
Total value of EnCl _t									

Part GF: Non-incremental Obligated Entry Capacity

~~5F.28~~5F.26 Non-incremental Obligated Entry Capacity shall be the sum of Licence Baseline Entry Capacity, as set out in paragraph 5F.~~29~~~~27~~ adjusted for Entry Capacity Substitution and Legacy TO Entry Capacity from the date that the revenue entitlement in accordance with Part B of Special Condition 3A (Restriction of NTS System Operation Revenue) has ceased.

~~5F.29~~5F.27 Licence Baseline Entry Capacity is set out in Table ~~64~~.

Table 64: Licence Baseline Entry Capacity

NTS Entry Point	Baseline capacity (in GWh/d)
Bacton	1,783.4
Barrow	309.1
Easington	1,062.0
St. Fergus	1,670.7
Teesside	476.0
Theddlethorpe	610.7
Glenmavis	99.0
Partington	215.0
Avonmouth	179.3
Isle of Grain	218.0
Dynevor Arms	49.0
Hornsea	175.0
Hatfield Moor (storage)	25.0
Hatfield Moor (onshore)	0.3
Cheshire	285.9
Hole House Farm	131.6
Wytch Farm	3.3
Burton Point	73.5
Milford Haven	0
Barton Stacey	172.6
Garton	420
Burton Agnes (Caythorpe)	0
Winkfield	0

Blyborough (Welton)	0
Tatsfield	0
Albury	0
Palmers Wood	0
Fleetwood	0
Portland	0
Canonbie	0
Moffat	0

~~5F.305~~5F.28 Entry Capacity that has been provided by Entry Capacity Substitution and the applicable date from the which the Entry Capacity Substitution applies for the purposes of calculating Non-incremental Obligated Entry Capacity is set out in Table ~~75~~.

Table ~~75~~: Entry Capacity Substitution

NTS Entry Point	Date from which Entry Capacity Substitution applies	Entry Capacity Substitution (GWh/d)
Barrow	January 2015	30.91
Teesside	January 2015	-30.91

~~5F.345~~5F.29 Legacy TO Entry Capacity and the dates from which it must be offered for sale as Non-incremental Obligated Entry Capacity is set out in Table ~~86~~.

Table ~~86~~: Legacy TO Entry Capacity

NTS Entry Points	Applicable date	Legacy TO Entry Capacity (GWh/d)
Milford Haven	April 2017	650
Milford Haven	April 2017	300
Isle of Grain	April 2017	235.4
Easington	April 2017	345
Hornsea	April 2017	58.1
Fleetwood	April 2017	650
Cheshire	April 2017	64.2

Cheshire	April 2017	192.6
Isle of Grain	October 2015	246.24
Caythorpe	October 2016	90
Hole House Farm	October 2016	165

Special Condition 5G. Determination of Incremental Obligated Exit Capacity volumes and the appropriate revenue drivers to apply

Introduction

- 5G.1 The purpose of this condition is to set out:
- (a) the process by which the Licensee can propose, and the Authority can approve the volume of Incremental Obligated Exit Capacity;
 - (a) the treatment of Incremental Obligated Exit Capacity for the purposes of the Special Conditions, including the appropriate funding allowance for that Incremental Obligated Exit Capacity; and
 - (b) the obligations on the Licensee to calculate revenue drivers for NTS Exit Points where required (as set out in this condition) in a timely manner.
- 5G.2 The $ExCl_t$ term derived in accordance with this condition will constitute a revised value for the PCFM Variable Value $ExCl$ for Formula Year t for use in the Annual Iteration Process for the GT1 Price Control Financial Model as described in Special Condition 4B (Annual Iteration Process for the GT1 Price Control Financial Model). As a consequence of the Annual Iteration Process, the value of the term MOD_t as calculated for Formula Year t for the purposes of Part D of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) will result in an adjustment of the Licensee's Base NTS Transportation Owner Activity Revenue in a manner that is consistent with the policy set out in the GT1 Price Control Financial Methodologies contained within the GT1 Price Control Financial Handbook.

Part A: Notice to release Incremental Obligated Exit Capacity

5G.3 Where the Licensee receives a request for Funded Incremental Obligated Exit Capacity it must publish a notice in writing where it intends to reserve that capacity subject to the provisions in the appropriate capacity methodology statements.

5G.4 The Licensee must ensure adequate publicity to any such.

5G.5 The notice must set out the quantity of capacity requested at each NTS exit point at which the Licensee has received a request for that volume of Firm Exit Capacity in excess of the prevailing level of Firm Exit Capacity to be treated as Incremental Obligated Exit Capacity. If capacity has been requested at a place on where, at the time of the request, no NTS Exit Point has been defined in the licence, the notice must set out a description of the location at which that capacity has been requested.

5G.6 The notice must also set out the Licensee's proposal for that quantity of Firm Exit Capacity to be treated for the purposes of this condition as either:

- (a) Funded Incremental Obligated Exit Capacity; or

(b) Non-incremental Obligated Entry Capacity provided by Exit Capacity Substitution in accordance with Special Condition 9A.

Part AB: Proposal to release Incremental Obligated Exit Capacity and the associated funding arrangements

~~5G.35G.7~~ Where the Licensee reasonably believes that there is or will be demand from Users for the volume of Firm Exit Capacity in excess of the prevailing level of Firm Exit Capacity as a result of calculations carried out by the Licensee in accordance with its Capacity Methodology Statements for the time being in force pursuant to Special Conditions 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9B (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), it must give a notice in writing (the “Exit Capacity notice”) to the Authority.

~~5G.45G.8~~ The Exit Capacity notice must set out the Licensee’s proposals in respect of each NTS Exit Point at which the Licensee believes there is or will be demand for that volume of Firm Exit Capacity to be treated as Incremental Obligated Exit Capacity (the “proposal”).

~~5G.55G.9~~ The Exit Capacity notice must set out the Licensee’s proposal for that volume of Firm Exit Capacity to be treated for the purposes of this condition as either:

- (a) Funded Incremental Obligated Exit Capacity; or
- (b) Non-incremental Obligated Exit Capacity provided by Exit Capacity Substitution in accordance with Special Condition 9A.

~~5G.65G.10~~ The Exit Capacity notice must include the following information, in sufficient detail to enable the Authority to determine (in accordance with paragraph ~~5G.135G.135G.9~~ of this condition) whether the Licensee must implement the proposal:

- (a) the results of applying the capacity release methodology statements for the time being in force pursuant to Special Condition 9B and the rationale and justification for why the Licensee considers that the volume of Firm Exit Capacity should be released;
- (b) how the capacity release methodology statements for the time being in force pursuant to Special Condition 9B have been applied (including the provision of all relevant input data) by the Licensee to determine the amount of volume of Firm Exit Capacity that it proposes to treat as Incremental Obligated Exit Capacity;
- (c) the NTS Exit Point or NTS Exit Points to which the proposal relates;
- (d) the volume of Incremental Obligated Exit Capacity that the Licensee proposes to treat as:
 - (i) Funded Incremental Obligated Exit Capacity and the associated revenue driver allowance for each relevant Formula Year t $ExCI_t$, calculated in accordance with Part ~~B-C~~ of this condition and/or associated variation to the Constraint Management target for each relevant Formula Year t $CMOpDT_t$ for the purposes of Part I of

Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management); and

- (ii) Non-incremental Obligated Exit Capacity substituted to that NTS Exit Point in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A to which the proposal relates;
- (e) the volume of unsold Non-incremental Obligated Exit Capacity that has been substituted from one or more other NTS Exit Points, in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A;
- (f) the first month in which the volume of Incremental Obligated Exit Capacity referred to in paragraph [5G.105G.105G.6\(d\)](#) of this condition would be provided at the relevant NTS Exit Point or in which the volume of Non-incremental Obligated Exit Capacity referred to in paragraph [5G.105G.105G.6\(e\)](#) of this condition would cease to be used at the relevant NTS Exit Points (for the avoidance of doubt, the capacity will be deemed to be used from the first Day of the month in question);
- (g) the date in respect of which the Licensee's obligations to offer for sale the volume of Incremental Exit Capacity referred to in paragraph [5G.105G.105G.6\(d\)](#) of this condition would commence and the date on which the Licensee's obligations to offer for sale that volume of Non-incremental Obligated Exit Capacity substituted away from those NTS Exit Points referred to in paragraph [5G.105G.105G.6\(e\)](#) of this condition would cease; and
- ~~(h) — details of any Permits Arrangements applied under the provisions of Special Condition 2D (Permit Arrangements for the provision of incremental capacity).~~

~~5G.75G.11~~ The Licensee must keep each Exit Capacity notice.

~~5G.85G.12~~ The Licensee must provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering an Exit Capacity notice made by the Licensee.

~~5G.95G.13~~ The Licensee must implement the proposal as set out within the Exit Capacity notice made pursuant to paragraph [5G.75G.75G.3](#) of this condition or as modified in accordance with paragraph [5G.145G.145G.10\(b\)](#) of this condition, unless:

- (a) the Authority has, within 7 days from the receipt by the Authority of the Exit Capacity notice, notified the Licensee in writing that it should suspend the implementation of the proposal contained in the Exit Capacity notice because, in its opinion, the Authority requires further consideration to evaluate whether that proposal, and the supporting information, is consistent with the Licensee's Exit Capacity release methodology, the Licensee's Exit Capacity Substitution methodology (established pursuant to Special Condition 9A), and the Licensee's duties under the Act and the obligations in this licence; or
- (b) the Authority has, within 28 days from the receipt by the Authority of the application made pursuant to paragraph [5G.75G.75G.3](#) of this condition, directed the Licensee, on or before that date, not to implement that proposal.

~~5G.105G.14~~ 5G.14 Where the Authority has notified the Licensee in writing to suspend implementation of the proposal in accordance with paragraph ~~5G.135G.135G.9~~(a) of this condition but has not issued a direction under paragraph ~~5G.135G.135G.9~~(b) of this condition the Authority may direct the Licensee, within 28 days from the receipt by the Authority of the Exit Capacity notice either:

- (a) to implement the proposal as set out in the Exit Capacity notice; or
- (b) to implement the proposal in a modified form, subject to the agreement of the Licensee to that modified form, where such modifications relate to:
 - (i) the volume of Incremental Obligated Exit Capacity that the Licensee proposes to treat as:
 1. Funded Incremental Obligated Exit Capacity; or
 2. Non-incremental Obligated Exit Capacity substituted to any NTS Exit Point in accordance with the Exit Capacity Substitution methodology for the time being in force pursuant to Special Condition 9A; and
 - (i) the first month in respect of which the volume of Incremental Obligated Exit Capacity or Non-incremental Obligated Exit Capacity referred to in:
 1. paragraph ~~5G.105G.105G.6~~(d) of this condition would be provided at the relevant NTS Exit Point; or
 2. paragraph ~~5G.105G.105G.6~~(e) of this condition would cease to be used at the relevant NTS Exit Points.

~~5G.115G.15~~ 5G.15 The Licensee may withdraw an Exit Capacity notice within 7 days from receipt by the Authority of the Exit Capacity notice, except where the Authority has notified the Licensee under paragraph ~~5G.135G.135G.9~~(a) of this condition to suspend implementation of the proposal set out in an Exit Capacity notice.

~~5G.125G.16~~ 5G.16 Where the Authority makes a notification under paragraph 5G.913(a), the Licensee may withdraw such a proposal within 28 days from receipt by the Authority of the Exit Capacity notice, unless the Authority has otherwise directed the Licensee to implement the proposal in accordance with paragraph ~~5G.145G.145G.10~~ of this condition.

~~5G.135G.17~~ 5G.17 Where the Authority has made a direction that the Licensee should not implement a proposal set out in an Exit Capacity notice, the Licensee remains entitled to make available Firm Exit Capacity additional to the prevailing level of Obligated Exit Capacity at the time the proposal is made, and any such volume of Firm Exit Capacity sold by the Licensee must be treated as Non-obligated Exit Capacity.

~~5G.145G.18~~ 5G.18 The Licensee must publish on its website the effect of implementing each proposal set out in an Exit Capacity notice on the cumulative volume of Funded Incremental Obligated Exit Capacity and Non-incremental Obligated Exit Capacity for each NTS Exit Point i for each month m in a form and manner approved by the Authority.

~~5G.155G.19~~ 5G.19 The Licensee must use reasonable endeavours to ensure that the information published pursuant to paragraph 5G.14-18 is accurate and up-to-date.

~~5G.165G.20~~ Where the Authority directs that the Licensee should implement a proposal set out in an Exit Capacity notice, the Licensee must calculate the appropriate additional Totex allowance in accordance with Part **BC**.

Part BC: Additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity

~~5G.175G.21~~ This paragraph applies where the Licensee has made a proposal pursuant to Part A above which has proposed that Exit Capacity be treated for the purposes of this condition as Funded Incremental Obligated Exit Capacity.

~~5G.185G.22~~ The total Totex allowance for Formula Year t due to the Licensee in respect of the release of Funded Incremental Obligated Exit Capacity (ExCl_t) will be determined in accordance with the following formula:

$$ExCl_t = 0.2 \times \sum_{\text{all } i} \sum_{\text{all } j} TotExRevD_{i,j,y} \times ExIND_t; \text{ where } t = y-2$$

$$ExCl_t = 0.8 \times \sum_{\text{all } i} \sum_{\text{all } j} TotExRevD_{i,j,y} \times ExIND_t; \text{ where } t = y-1$$

$$ExCl_t = 0.01 \times \sum_{\text{all } i} \sum_{\text{all } j} TotExRevD_{i,j,y} \times ExIND_t; \text{ where } t = y \text{ and any subsequent Formula Year to the end of the Price Control Period}$$

$$ExCl_t = 0; \text{ otherwise}$$

where :

y is the Formula Year during which the Contractual Delivery Date for Funded Incremental Obligated Exit Capacity at NTS Exit Point i for an amount of Incremental Exit Capacity of j GWh/d falls.

TotExRevD_{i,j,y} is the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i for an amount of Incremental Obligated Exit Capacity of j GWh/d, calculated as provided for in Part **CD** of this condition.

ExIND_t is the real additional cost inflation index above RPI based on the real price effect allowance for Formula Year t and will take the values in Table 1 below:

Table 1: Values for the real additional cost inflation index

Formula Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
ExIND _t	1.015	1.018	1.022	1.026	1.029	1.033	1.037	1.041

Part C: Additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity (TotExRevD_{i,j,y})

~~5G.19—Except where the Licensee has in place a generic entry and exit revenue driver methodology statement pursuant to Special Condition 9C (Methodology to determine revenue drivers), the additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity for use at NTS Exit Point i, for an amount of Incremental Obligated Exit Capacity of j GWh/d ($TotExRevD_{i,j,y}$) will be calculated in accordance with Part D of this condition.~~

~~5G.20—Where the Licensee has in place a generic entry and exit revenue driver methodology statement pursuant to Special Condition 9C, the Licensee must calculate the appropriate additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity for use at NTS Exit Point i, for an amount of Incremental Obligated Exit Capacity of j GWh/d in accordance with that methodology.~~

~~5G.21—The Licensee must send the Authority a notice to indicate the amount for $TotExRevD_{i,j,y}$ and this value will be subsequently determined by the Authority in accordance with Part E of this condition.~~

~~Part D: Additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity ($TotExRevD_{i,j,y}$) where a generic entry and exit revenue driver methodology has not been approved by the Authority and published by the Licensee~~

~~5G.22—Where no generic entry and exit revenue driver methodology is in place pursuant to Special Condition 9C, the value for the additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity, $TotExRevD_{i,j,y}$ will be calculated in accordance with the following formula:~~

$$TotExRevD_{i,j,y} = ExCHR_y^{sequad} + ExCHR_y^{storage}$$

where

$ExCHR_y^{sequad}$ is the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant for an amount of Incremental Obligated Exit Capacity of j GWh/d which was first contractually delivered within Formula Year y, calculated in accordance with paragraph 5G.23 of this condition.

$ExCHR_y^{storage}$ is the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i which are storage sites connected to the Bacton terminal for an amount of Incremental Obligated Exit Capacity of j GWh/d which was first contractually delivered within Formula Year y, calculated in accordance with paragraph 5G.26 of this condition.

~~5G.23—For the purpose of paragraph 5F.22 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant for an amount of Incremental Obligated Exit Capacity of j~~

~~GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:~~

$$\text{ExCHRS}_{y}^{\text{sequad}} = \sum_{\text{all } i \text{ in sequad}} \text{ExCHRS}_{i,y}$$

~~where:~~

~~sequad means NTS Exit Points in the south east quadrant and which are set out below:~~

Table 2: NTS Exit Points in the South East quadrant

NTS Exit Points i in the South East quadrant
Horndon
Barking (Horndon)
Stanford Le Hope (Coryton)
Coryton 2 (Thames Haven) Power
Shorne
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)
Grain Power Station
Tilbury

~~ExCHRS_{i,y} means the additional Totex allowance calculated in accordance with the relevant formula specified in Table 3 below:~~

Table 3: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant

where: $j \leq 50$ GWh/d	ExCHRS_{i,y} will be calculated using the formula specified in paragraph 5G.25 of this condition "Formula A".
where: $50 < j \leq 100$ GWh/d	ExCHRS_{i,y} will be calculated using the formula specified in paragraph 5G.25 of this condition "Formula B".
where: $100 < j \leq 150$ GWh/d	ExCHRS_{i,y} will be calculated using the formula specified in paragraph 5G.25 of this condition "Formula C".
where: $150 < j \leq 200$ GWh/d	ExCHRS_{i,y} will be calculated using the formula specified in paragraph 5G.25 of this condition "Formula D".
where: $j > 200$ GWh/d	ExCHRS_{i,y} will be calculated using the formula specified in paragraph 5G.25 of this condition "Formula E".

~~5G.24 For the purposes of Table 3, j means the volume (in units of GWh/d) of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant which was contractually delivered within Formula Year y.~~

~~5G.25 For the purposes of paragraph 5G.23 of this condition:~~

- ~~i) Formula A will be:
ExCHRS_{i,y} = j x IRExI,
where:~~

~~$$IREx1_i = IRExz_i \text{ where } z=1;$$~~

~~ii) Formula B will be:~~

~~$$ExCHRS_{i,y} = (50 \times IREx1_i) + (j-50) \times IREx2_i$$~~

~~where:~~

~~$$IREx1_i = IRExz_i \text{ where } z=1; \text{ and}$$~~

~~$$IREx2_i = IRExz_i \text{ where } z=2;$$~~

~~iii) Formula C will be:~~

~~$$ExCHRS_{i,y} = (50 \times IREx1_i) + (50 \times IREx2_i) + (j-100) \times IREx3_i$$~~

~~where:~~

~~$$IREx1_i = IRExz_i \text{ where } z=1;$$~~

~~$$IREx2_i = IRExz_i \text{ where } z=2; \text{ and}$$~~

~~$$IREx3_i = IRExz_i \text{ where } z=3;$$~~

~~iv) Formula D will be:~~

~~$$ExCHRS_{i,y} = (50 \times IREx1_i) + (50 \times IREx2_i) + (50 \times IREx3_i) + (j-150) \times IREx4_i$$~~

~~where:~~

~~$$IREx1_i = IRExz_i \text{ where } z=1;$$~~

~~$$IREx2_i = IRExz_i \text{ where } z=2;$$~~

~~$$IREx3_i = IRExz_i \text{ where } z=3; \text{ and}$$~~

~~$$IREx4_i = IRExz_i \text{ where } z=4;$$~~

~~v) Formula E will be:~~

~~$$ExCHRS_{i,y} = (50 \times IREx1_i) + (50 \times IREx2_i) + (50 \times IREx3_i) + (50 \times IREx4_i) + (j-200) \times IREx5_i$$~~

~~where:~~

~~$$IREx1_i = IRExz_i \text{ where } z=1;$$~~

~~$$IREx2_i = IRExz_i \text{ where } z=2;$$~~

~~$$IREx3_i = IRExz_i \text{ where } z=3;$$~~

~~$$IREx4_i = IRExz_i \text{ where } z=4; \text{ and}$$~~

~~$$IREx5_i = IRExz_i \text{ where } z=5;$$~~

~~In each of the formulae A to E above $IRExz_i$ is the additional Totex allowance for Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant and will take the values in accordance with Table 4 below:~~

~~**Table 4: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant**~~

Increment	50 GWh/d	100 GWh/d	150 GWh/d	200 GWh/d	250 GWh/d
$z=$	1	2	3	4	5
£m/GWh (2009/10 prices)	2.899	2.826	3.089	3.453	3.573

~~5G.26~~ For the purpose of paragraph 5G.22 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i which are storage sites connected to the Bacton terminal of j GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:

~~$$\text{ExCIIR}_y^{\text{storage}} = \sum_{\text{all storage sites}} j \times \text{STPROI}_j$$~~

where:

~~STPROI_j~~ is the revenue allowance at NTS Exit Points which are storage sites connected to the Bacton terminal which will be determined in accordance with Table 5 below in respect of the Funded Incremental Obligated Exit Capacity required for each relevant project(s):

~~Table 5: Calculation of relevant additional Totex allowance for NTS exit points at storage sites~~

Incremental Exit Capacity j (GWh/d)	STPROI_j (£m/GWh) (2009/10 prices)
j=353	1.423
j=657	1.077
j=1010	1.107

Part ~~ED~~: Additional Totex allowances in respect of the release of Funded Incremental Obligated Exit Capacity (TotExRevD_{i,j,y}) **where a generic entry and exit revenue driver methodology has been approved by the Authority and published by the Licensee**

~~5G.23~~ The Authority will determine a value for TotExRevD_{i,j,y} by 30 September or as soon as reasonably practicable thereafter in Formula Year $t-1$ where an additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity will apply for Formula Year t and will bring forward a proposal to modify this condition to implement that determination by modifying Table 5 as soon as is reasonably practicable.

~~5G.27~~~~5G.24~~ For the purpose of paragraph 5G.23 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant for an amount of Incremental Obligated Exit Capacity of j GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:

~~$$\text{ExCIIR}_y^{\text{sequad}} = \sum_{\text{all } i \text{ in sequad}} \text{ExCIIRS}_{i,y}$$~~

where:

sequad means NTS Exit Points in the south east quadrant and which are set out below:

Table 2: NTS Exit Points in the South East quadrant

<u>NTS Exit Points i in the South East quadrant</u>
<u>Horndon</u>
<u>Barking (Horndon)</u>
<u>Stanford Le Hope (Coryton)</u>
<u>Coryton 2 (Thames Haven) Power</u>
<u>Shorne</u>
<u>Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)</u>
<u>Grain Power Station</u>
<u>Tilbury</u>

ExCIIRS_{i,y} means the additional Totex allowance calculated in accordance with the relevant formula specified in Table 3 below:

Table 3: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant

<u>where:</u> <u>j < 50 GWh/d</u>	<u>ExCIIRS_{i,y} will be calculated using the formula specified in paragraph 5G.265G.25 of this condition “Formula A”.</u>
<u>where:</u> <u>50 GWh/d < j < 100 GWh/d</u>	<u>ExCIIRS_{i,y} will be calculated using the formula specified in paragraph 5G.265G.25 of this condition “Formula B”.</u>
<u>where:</u> <u>100 GWh/d < j < 150 GWh/d</u>	<u>ExCIIRS_{i,y} will be calculated using the formula specified in paragraph 5G.265G.25 of this condition “Formula C”.</u>
<u>where:</u> <u>150 GWh/d < j < 200 GWh/d</u>	<u>ExCIIRS_{i,y} will be calculated using the formula specified in paragraph 5G.265G.25 of this condition “Formula D”.</u>
<u>where:</u> <u>j > 200 GWh/d</u>	<u>ExCIIRS_{i,y} will be calculated using the formula specified in paragraph 5G.265G.25 of this condition “Formula E”.</u>

5G.285G.25 For the purposes of Table 3, j means the volume (in units of GWh/d) of Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant which was contractually delivered within Formula Year y.

5G.295G.26 For the purposes of paragraph 5G.245G.23 of this condition:

- v+i) Formula A will be:
ExCIIRS_{i,y} = j x IREx 1_i
where:

IREx1_i = IRExz_i where z=1.

vii)ii) Formula B will be:

$$\underline{\text{ExCIIRS}_{i,y} = (50 \times \text{IREx1}_i) + (j - 50) \times \text{IREx2}_i}$$

where:

IREx1_i = IRExz_i where z=1; and

IREx2_i = IRExz_i where z=2.

viii)iii) Formula C will be:

$$\underline{\text{ExCIIRS}_{i,y} = (50 \times \text{IREx1}_i) + (50 \times \text{IREx2}_i) + (j - 100) \times \text{IREx3}_i}$$

where:

IREx1_i = IRExz_i where z=1;

IREx2_i = IRExz_i where z=2; and

IREx3_i = IRExz_i where z=3.

ix)iv) Formula D will be:

$$\underline{\text{ExCIIRS}_{i,y} = (50 \times \text{IREx1}_i) + (50 \times \text{IREx2}_i) + (50 \times \text{IREx3}_i) + (j - 150) \times \text{IREx4}_i}$$

where:

IREx1_i = IRExz_i where z=1;

IREx2_i = IRExz_i where z=2;

IREx3_i = IRExz_i where z=3; and

IREx4_i = IRExz_i where z=4.

x)v) Formula E will be:

$$\underline{\text{ExCIIRS}_{i,y} = (50 \times \text{IREx1}_i) + (50 \times \text{IREx2}_i) + (50 \times \text{IREx3}_i) + (50 \times \text{IREx4}_i) + (j - 200) \times \text{IREx5}_i}$$

where:

IREx1_i = IRExz_i where z=1;

IREx2_i = IRExz_i where z=2;

IREx3_i = IRExz_i where z=3;

IREx4_i = IRExz_i where z=4; and

IREx5_i = IRExz_i where z=5.

In each of the formulae A to E above IRExz_i is the additional Totex allowance for Funded Incremental Obligated Exit Capacity at NTS Exit Point i in the south east quadrant and will take the values in accordance with Table 4 below:

Table 4: Calculation of relevant additional Totex allowance for NTS Exit Points in the south east quadrant

<u>Increment</u>	<u>50 GWh/d</u>	<u>100 GWh/d</u>	<u>150 GWh/d</u>	<u>200 GWh/d</u>	<u>250 GWh/d</u>
<u>z =</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>£m/GWh</u> <u>(2009/10 prices)</u>	<u>2.899</u>	<u>2.826</u>	<u>3.089</u>	<u>3.453</u>	<u>3.573</u>

5G.305G.27 For the purpose of paragraph 5G.23 of this condition, the additional Totex allowance in respect of the release of Funded Incremental Obligated Exit Capacity at NTS Exit Point i which are storage sites connected to the Bacton terminal of j GWh/d which was first contractually delivered within Formula Year y is calculated in accordance with the following formula:

$$\text{ExClIR}_y^{\text{storage}} = \sum_{\text{all storage sites}} j \times \text{STPROJ}_j$$

where:

STPROJ_j is the revenue allowance at NTS Exit Points which are storage sites connected to the Bacton terminal which will be determined in accordance with Table 5 below in respect of the Funded Incremental Obligated Exit Capacity required for each relevant project(s):

Table 5: Calculation of relevant additional Totex allowance for NTS exit points at storage sites

<u>Incremental Exit Capacity j (GWh/d)</u>	<u>STPROJ_j (£m/GWh) (2009/10 prices)</u>
<u>j = 353</u>	<u>1.423</u>
<u>j = 657</u>	<u>1.077</u>
<u>j = 1010</u>	<u>1.107</u>

Table 6: Directed values for additional Totex allowance for Funded Incremental Obligated Exit Capacity (TotExRevD_{i,j,y}) (£m 2009/10 prices)

Exit point i	Date directed	Date of contractual delivery of capacity (within Formula Year y)	Volume (in units of GWh per Day) of capacity delivered (j)	TotExRevD _{i,j,y} (£m 2009/10 prices)
Exit point A	nn/nn/nn			
Exit point B	nn/nn/nn			

Part FE: Procedure for direction of revised ExCl_t values by the Authority

5G.315G.28 Any value for ExCl_t applying for Formula Year t determined by the Authority in accordance with Part B-C of this condition will be directed by the Authority by 30 November or as soon as reasonably practicable thereafter in each Formula Year t-1.

5G.325G.29 The values directed by the Authority under paragraph 5G.28 will be deemed to be set out in Table 7 below:

Table 7: Directed values for additional Totex allowance for Funded Incremental Obligated Exit Capacity (ExCl_t) (£m 2009/10 prices)

Value for ExCl _t (£m) (2009/10 prices)		Formula Year							
	Date Directed	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21
Exit point A	nn/nn/nn								
Exit point B	nn/nn/nn								
Total value of ExRD _t									

Part GF: Non-incremental Obligated Exit Capacity

5G.335G.30 Non-incremental Obligated Exit Capacity will be the sum of Licence Baseline Exit Capacity as set out in Table 8 below adjusted for Exit Capacity Substitution and Legacy TO Exit Capacity from the date that the revenue entitlement in accordance with Special Condition 3A (Restriction of NTS System Operation Revenue) has ceased.

5G.345G.31 Licence Baseline Exit Capacity is set out in Table 8.

Table 8: Licence Baseline Exit Capacity

Offtake Point	Type of Offtake	Enduring flat baseline (GWh/d)
Bacton	GDN (EA)	3.66
Brisley	GDN (EA)	3.11
Cambridge	GDN (EA)	0
Great Wilbraham	GDN (EA)	35.59
Matching Green	GDN (EA)	92.31
Peterborough Eye (Tee)	GDN (EA)	25.45
Roudham Heath	GDN (EA)	25.46

Royston	GDN (EA)	2.70
Whitwell	GDN (EA)	161.87
West Winch	GDN (EA)	12.26
Yelverton	GDN (EA)	64.61
Alrewas (EM)	GDN (EM)	139.87
Blaby	GDN (EM)	13.40
Blyborough	GDN (EM)	79.33
Caldecott	GDN (EM)	11.08
Thornton Curtis (DN)	GDN (EM)	118.15
Drointon	GDN (EM)	74.27
Gosberton	GDN (EM)	15.23
Kirkstead	GDN (EM)	1.21
Market Harborough	GDN (EM)	9.48
Silk Willoughby	GDN (EM)	3.53
Sutton Bridge	GDN (EM)	1.71
Tur Langton	GDN (EM)	65.67
Walesby	GDN (EM)	0.97
Asselby	GDN (NE)	3.92
Baldersby	GDN (NE)	1.34
Burley Bank	GDN (NE)	20.31
Ganstead	GDN (NE)	23.15
Pannal	GDN (NE)	148.41
Paull	GDN (NE)	38.14
Pickering	GDN (NE)	9.38
Rawcliffe	GDN (NE)	3.55

Towton	GDN (NE)	80.73
Bishop Auckland	GDN (NO)	62.13
Coldstream	GDN (NO)	1.96
Corbridge	GDN (NO)	0.07
Cowpen Bewley	GDN (NO)	52.12
Elton	GDN (NO)	38.27
Guyzance	GDN (NO)	2.19
Humbleton	GDN (NO)	0.16
Keld	GDN (NO)	1.89
Little Burdon	GDN (NO)	17.75
Melkinthorpe	GDN (NO)	1.77
Saltwick Pressure Controlled	GDN (NO)	9.22
Saltwick Volumetric Controlled	GDN (NO)	69.07
Thrintoft	GDN (NO)	5.16
Towlaw	GDN (NO)	0.55
Wetheral	GDN (NO)	29.11
Horndon	GDN (NT)	46.41
Luxborough Lane	GDN (NT)	165.3
Peters Green	GDN (NT)	151.86
Peters Green South Mimms	GDN (NT)	197.12
Winkfield (NT)	GDN (NT)	15.91
Audley (NW)	GDN (NW)	12.14
Blackrod	GDN (NW)	166.49
Ecclestone	GDN (NW)	21.14

Holmes Chapel	GDN (NW)	22.19
Lupton	GDN (NW)	16.23
Malpas	GDN (NW)	0.99
Mickle Trafford	GDN (NW)	29.08
Partington	GDN (NW)	87.63
Samlesbury	GDN (NW)	110.99
Warburton	GDN (NW)	110.62
Weston Point	GDN (NW)	30.64
Aberdeen	GDN (SC)	23.09
Armadale	GDN (SC)	3.01
Balgray	GDN (SC)	11.4
Bathgate	GDN (SC)	24.22
Broxburn	GDN (SC)	60.80
Burnhervie	GDN (SC)	22.38
Careston	GDN (SC)	3.05
Drum	GDN (SC)	77.04
St Fergus	GDN (SC)	0.88
Glenmavis	GDN (SC)	145.79
Hume	GDN (SC)	1.22
Kinknockie	GDN (SC)	2.35
Langholm	GDN (SC)	0.15
Lauderhill	GDN (SC)	1.79
Lockerbie	GDN (SC)	5.7
Netherhowcleugh	GDN (SC)	0.2
Pitcairngreen	GDN (SC)	1.59

Soutra	GDN (SC)	4.19
Stranraer	GDN (SC)	0.68
Farningham	GDN (SE)	135.12
Farningham B	GDN (SE)	0
Shorne	GDN (SE)	67.06
Tatsfield	GDN (SE)	276.46
Winkfield (SE)	GDN (SE)	106.26
Braishfield A	GDN (SO)	107.28
Braishfield B	GDN (SO)	46.65
Crawley Down	GDN (SO)	0
Hardwick	GDN (SO)	118.68
Ipsden	GDN (SO)	12.39
Ipsden 2	GDN (SO)	14.25
Mappowder	GDN (SO)	47.68
Winkfield (SO)	GDN (SO)	71.86
Aylesbeare	GDN (SW)	22.68
Cirencester	GDN (SW)	8.97
Coffinswell	GDN (SW)	5.15
Easton Grey	GDN (SW)	29.60
Evesham	GDN (SW)	6.57
Fiddington	GDN (SW)	25.95
Ilchester	GDN (SW)	34.96
Kenn	GDN (SW)	15.43
Littleton Drew	GDN (SW)	2.47
Lyneham (Choakford)	GDN (SW)	50.30

Pucklechurch	GDN (SW)	25.79
Ross (SW)	GDN (SW)	4.53
Seabank (DN)	GDN (SW)	60.74
Alrewas (WM)	GDN (WM)	128.48
Aspley	GDN (WM)	84.65
Audley (WM)	GDN (WM)	21.83
Austrey	GDN (WM)	87.81
Leamington	GDN (WM)	4.26
Lower Quinton	GDN (WM)	29.91
Milwich	GDN (WM)	21.63
Ross (WM)	GDN (WM)	16.52
Rugby	GDN (WM)	80.08
Shustoke	GDN (WM)	44.76
Stratford-upon-Avon	GDN (WM)	4.68
Maelor	GDN (WN)	57.56
Dowlais	GDN (WS)	112.18
Dyffryn Clydach	GDN (WS)	42.78
Gilwern	GDN (WS)	52.74
Abson (Seabank Power Station phase I)	DC	36.59
Bacton (Great Yarmouth)	DC	20.04
Barking (Horndon)	DC	58.59
Barrow (Black Start)	DC	0
Billingham ICI (Terra Billingham)	DC	43.54

Bishop Auckland (test facility)	DC	0
Blackness (BP Grangemouth)	DC	27.29
Blyborough (Brigg)	DC	16.89
Blyborough (Cottam)	DC	17.54
Brine Field (Teesside) Power Station	DC	0
Burton Point (Connahs Quay)	DC	73.21
Caldecott (Corby Power Station)	DC	21.12
Carrington (Partington) Power Station	DC	0
Cockenzie Power Station	DC	0
Coryton 2 (Thames Haven) Power Station	DC	0
Centrax Industrial	DC	0
Deeside	DC	28.48
Didcot	DC	137.76
Drakelow Power Station	DC	0
Eastoft (Keadby Blackstart)	DC	2.38
Eastoft (Keadby)	DC	36.06
Enron Billingham	DC	121.51
Epping Green (Enfield Energy, aka Brimsdown)	DC	18.41
Ferny Knoll (AM Paper)	DC	1.08

Goole (Guardian Glass)	DC	1.62
Gowkhall (Longannet)	DC	43.32
Grain Power Station	DC	0
Harwarden (Shotton, aka Shotton Paper)	DC	11.59
Hatfield Power Station	DC	0
Hollingsgreen (Hays Chemicals)	DC	3.25
Kintore	DC	0
Langage Power Station	DC	0
Marchwood Power Station	DC	0
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC	38.12
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	40.94
Moffat (Irish Interconnector)	INTERCONNECTOR	433.4
Pembroke Power Station	DC	0
Peterborough (Peterborough Power Station)	DC	23.28
Phillips Petroleum, Teesside	DC	3.69
Pickmere (Winnington Power, aka Brunner Mond)	DC	15.38

Roosecote Power Station (Barrow)	DC	14.73
Rosehill (Saltend Power Station)	DC	57.83
Ryehouse	DC	38.66
Saddle Bow (Kings Lynn)	DC	17.98
Saltend BPHP (BP Saltend HP)	DC	9.1
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	4.55
Seabank (Seabank Power Station phase II)	DC	19.1
Sellafield Power Station	DC	12.35
Shellstar (aka Kemira, not Kemira CHP)	DC	16.24
Shotwick (Bridgewater Paper)	DC	5.52
Spalding 2 (South Holland) Power Station	DC	0
St. Fergus (Shell Blackstart)	DC	0
St. Fergus (Peterhead)	DC	108.3
St. Neots (Little Barford)	DC	35.2
Stallingborough	DC	66.5
Stanford Le Hope (Coryton)	DC	36.61
Staythorpe	DC	76.24

Sutton Bridge Power Station	DC	37.47
Teesside (BASF, aka BASF Teesside)	DC	9.75
Teesside Hydrogen	DC	6.61
Terra Nitrogen (aka ICI, Terra Severnside)	DC	13.1
Thornton Curtis (Humber Refinery, aka Immingham)	DC	46.89
Thornton Curtis (Killingholme)	DC	81.22
Tilbury Power Station	DC	0
Tonna (Baglan Bay)	DC	26.75
Upper Neeston (Milford Haven Refinery)	DC	0
West Burton Power Station	DC	0
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	11.7
Weston Point (Rocksavage)	DC	38.19
Willington Power Station	DC	0
Wragg Marsh (Spalding)	DC	42.02
Wyre Power Station	DC	0
Zeneca (ICI Avecia, aka 'Zenica')	DC	0.11
Bacton (Baird)	STORAGE SITE	0

Barrow (Bains)	STORAGE SITE	0
Barrow (Gateway)	STORAGE SITE	0
Caythorpe	STORAGE SITE	0
Deborah Storage (Bacton)	STORAGE SITE	0
Hatfield Moor Max Refill	STORAGE SITE	30.21
Hill Top Farm (Hole House Farm)	STORAGE SITE	0
Holford	STORAGE SITE	0
Hole House Max Refill	STORAGE SITE	119.58
Partington Max Refill	STORAGE SITE	2.41
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	0
Stublach (Cheshire)	STORAGE SITE	0
Glenmavis Max Refill	STORAGE SITE	1.62
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	100.94
Avonmouth Max Refill	STORAGE SITE	2.3
Dynevor Max Refill	STORAGE SITE	2.61
Garton Max Refill (Aldbrough)	STORAGE SITE	211.01
Hornsea Max Refill	STORAGE SITE	22.43
Rough Max Refill	STORAGE SITE	160
Bacton (IUK)	INTERCONNECTOR	623.58
Bacton (BBL)	INTERCONNECTOR	0

5G.355G.32 Exit Capacity that has been provided by Exit Capacity Substitution and the applicable date from the which the Exit Capacity Substitution applies for the purpose of calculating Non-incremental Obligated Exit Capacity is set out in Table 9.

Table 9: Exit Capacity Substitution

NTS Exit Point	Date from which Exit Capacity Substitution applies	Exit Capacity Substitution (GWh/d)
Coldstream	October 2014	0.355892
Towlaw	October 2014	0.022053
Netherhowcleugh	October 2014	0.022112
Bathgate	October 2014	-0.043961
Broxburn	October 2014	-0.355892
Langholm	October 2014	-0.000204
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	October 2017	54.396184
Tatsfield	October 2017	-46.486979

~~5G.365G.33~~ Legacy TO Exit Capacity and the dates from which it must be offered for sale as Non-incremental Obligated Exit Capacity is set out in Table 10.

Table 10: Legacy TO Exit Capacity

NTS Exit Point	Applicable date	Legacy TO Exit Capacity (GWh/d)
Aberdeen	01-Apr-17	0.446855
Garton Max Refill (Aldbrough)	01-Apr-17	114.500001
Alrewas (EM)	01-Apr-17	0.042893
Armadale	01-Apr-17	13.001750
Asselby	01-Apr-19	0.390531
Asselby	01-Apr-20	0.275939

Austrey	01-Apr-17	0.025508
Bacton (IUK)	01-Apr-18	28.096940
Tonna (Baglan Bay)	01-Apr-19	21.900000
Balgray	01-Apr-17	4.323362
Barrow (Black Start)	01-Apr-17	1.000000
Blaby	01-Apr-17	0.000271
Blackrod	01-Apr-17	0.055212
Teesside Hydrogen	01-Apr-17	0.028400
Braishfield B	01-Apr-17	12.216000
Careston	01-Apr-17	0.801761
Caythorpe	01-Apr-17	75.000000
Centrax Industrial	01-Apr-17	0.085000
Coldstream	01-Apr-18	0.139134
Coldstream	01-Apr-19	0.187389
Coldstream	01-Apr-20	0.206512
Corbridge	01-Apr-18	0.096692
Stanford Le Hope (Coryton)	01-Apr-17	1.990000
Blyborough (Cottam)	01-Apr-17	1.760000
Cowpen Bewley	01-Apr-17	0.000008
Dowlais	01-Apr-17	0.000268

Drointon	01-Apr-17	0.002791
Drum	01-Apr-17	5.485354
Dyffryn Clydach	01-Apr-17	0.001335
Elton	01-Apr-17	20.544835
Elton	01-Apr-18	0.768780
Elton	01-Apr-19	0.628570
Epping Green (Enfield Energy, aka Brimsdown)	01-Apr-17	1.190000
Farningham B	01-Apr-17	117.883000
Fiddington	01-Apr-17	0.002278
Gilwern	01-Apr-15	20.215229
Gilwern	01-Apr-17	9.724771
Hardwick	01-Apr-17	5.019000
Holmes Chapel	01-Apr-17	0.009592
Hornsea Max Refill	01-Apr-17	22.359585
Humbleton	01-Apr-18	0.090000
Hume	01-Apr-17	0.441495
Hume	01-Apr-18	0.022890
Thornton Curtis (Humber Refinery, aka Immingham)	01-Apr-17	20.110000
Ipsden 2	01-Apr-17	1.428000
Kinknockie	01-Apr-17	

		0.618392
Kinknockie	01-Apr-18	0.100000
Langage Power Station	01-Apr-13	40.004000
Langage Power Station	01-Apr-14	1.612008
Langholm	01-Apr-17	0.100000
Lockerbie	01-Apr-17	1.739745
Little Burdon	01-Apr-19	0.906588
Little Burdon	01-Apr-20	2.262933
Marchwood Power Station	01-Apr-13	39.840000
Matching Green	01-Apr-17	0.031877
Melkinthorpe	01-Apr-17	0.000776
Melkinthorpe	01-Apr-18	0.219789
Melkinthorpe	01-Apr-19	0.220855
Melkinthorpe	01-Apr-20	0.221494
Milwich	01-Apr-17	0.005242
Moffat (Irish Interconnector)	01-Apr-17	95.078030
Moffat (Irish Interconnector)	01-Apr-18	0.732675
Moffat (Irish Interconnector)	01-Apr-19	0.879213
Netherhowcleugh	01-Apr-17	0.100000
Paull	01-Apr-17	2.142984
Paull	01-Apr-18	

		2.354995
Paull	01-Apr-19	2.143599
Paull	01-Apr-20	2.076983
Pembroke Power Station	01-Apr-16	103.200000
Pembroke Power Station	01-Apr-19	11.000000
Peters Green South Mimms	01-Apr-17	0.056511
Pitcairngreen	01-Apr-18	0.325791
Pucklechurch	01-Apr-17	0.004765
Rawcliffe	01-Apr-18	0.403802
Rawcliffe	01-Apr-19	0.540870
Rawcliffe	01-Apr-20	0.551482
Weston Point (Rocksavage)	01-Apr-17	2.650000
Roudham Heath	01-Apr-17	0.012176
Rough Max Refill	01-Apr-17	210.479121
Soutra	01-Apr-17	6.429687
Soutra	01-Apr-18	0.107308
Stallingborough	01-Apr-17	1.512169
Staythorpe	01-Apr-17	5.760000
St. Fergus (Shell Blackstart)	01-Apr-18	2.583336
St Fergus	01-Apr-17	0.178074
Stranraer	01-Apr-17	

		0.250433
Sutton Bridge	01-Apr-17	0.000546
Thornton Curtis (DN)	01-Apr-17	0.040411
Thornton Curtis (Killingholme)	01-Apr-17	9.780001
Thrintoft	01-Apr-18	0.418881
Thrintoft	01-Apr-19	0.646518
Thrintoft	01-Apr-20	0.696085
Towlaw	01-Apr-19	0.000204
Upper Neeston (Milford Haven Refinery)	01-Apr-17	7.180000
Upper Neeston (Milford Haven Refinery)	01-Apr-19	1.120000
Warburton	01-Apr-17	0.032366
West Burton Power Station	01-Apr-15	66.000000
West Winch	01-Apr-17	0.001932
Winkfield (SO)	01-Apr-17	0.003120

Special Condition 11C. Services treated as Excluded Services

Introduction

- 11C.1 The purpose of this condition is to set out the basis on which certain services provided by the Licensee may be treated as Excluded Services under the Special Conditions.
- 11C.2 Excluded Services are services that comply with the General Principle set out in Part B below and that include, without limitation, those services listed in paragraph 11C.10.
- 11C.3 Excluded Services are services provided by the Licensee for which revenue is derived but is excluded from MR_t as defined in Special Condition 2A (Restriction of NTS Transportation Owner Revenue) and SOMR_t as defined in Special Condition 3A (Restriction of NTS System Operation Revenue).

Part A: Structure of this condition

- 11C.4 Part B of this condition sets out the General Principle that applies for the purpose of determining which of the services provided by the Licensee are to be treated as Excluded Services.
- 11C.5 Part C of this condition sets out, without limitation, certain categories of services provided by the Licensee that are to be treated as Excluded Services.
- 11C.6 Part D of this condition provides for the Authority to give directions in respect of services provided by the Licensee that are to be treated as Excluded Services. It also provides for the Authority to direct that any service should not be treated as Excluded Services.

Part B: Statement of General Principle

- 11C.7 The General Principle is that a service provided by the Licensee as part of its Transportation Business in respect of the NTS is to be treated as an Excluded Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 11C.8.
- 11C.8 The charges referred to in paragraph 11C.7 are:
- (a) NTS Transportation Owner Charges;
 - (b) NTS System Operation Charges; and
 - (c) charges arising from any activity carried out under the Network Innovation Competition which results in Returned Royalty Income.

Part C: Categories of Excluded Services

- 11C.9 The descriptions of categories of Excluded Services set out at paragraph 11C.10 are to be read and given effect subject to any further clarification of any of those descriptions that might be set out in the RIGS issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance).
- 11C.10 Subject to Part D of this condition, Excluded Services shall include, but not limited to, the following Services:

ES1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates, (but only to the extent that the service is not already remunerated under one of the charges mentioned at paragraph 11C.8).

ES2. Rechargeable Diversions: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the Licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not an Excluded Service).

ES3. Works required by any alteration of premises: This category consists of the moving of any gas pipes or plant that forms part of the Transportation System to which this licence relates to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

ES4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any assets forming part of the Transportation System to which this licence relates to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

ES5. Emergency services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.

ES6. User pays agency services: This category consists of the provision of 'user pays' services or systems as set out in the Network Code, by the Agency referred to in Standard Special Condition A15 (Agency).

ES7. PARCA activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry or Exit Capacity carried out by the Licensee pursuant to a PARCA, which will culminate with the provision of a Phase 1 PARCA Works Report to the PARCA Applicant.

ES8. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

- (a) is for the specific benefit of any third party who requests it; and
- (b) is not made available by the Licensee as a normal part of its NTS Transportation Owner Activity and NTS System Operation Activity.

Part D: Authority's power to give directions

11C.11 Where the Authority (having regard to the General Principle) is satisfied:

- (a) that any service treated by the Licensee as an Excluded Service should not be so treated; or
- (b) that any service not treated by the Licensee as an Excluded Service should be so treated,

it may give the Licensee a direction to that effect.

11C.12 Where a direction is given under paragraph 11C.11, the Licensee must, in accordance with the Direction, either:

- (a) stop treating the service or services specified in the direction as Excluded Services; or
- (b) begin treating the service or services specified in the direction as Excluded Services,

from the date of the direction or such later date as may be specified in it.